

# **WINTHROP UNIVERSITY**

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## **Independent Auditors' Report**

**Financial Statements and Schedules  
For the Year Ended June 30, 2015**

# WINTHROP UNIVERSITY

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## FINANCIAL INFORMATION

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## Independent Auditors' Report

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
and the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. We did not audit the financial statements of Winthrop University Real Estate Foundation, Inc. (a discretely presented component unit). The Winthrop University Real Estate Foundation, Inc. reflects 100% of total assets, 100% of net assets, and 100% of total revenues of the discretely presented component unit.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Winthrop Real Estate Foundation, Inc., which represent 100% of total assets, 100% of net assets, and 100% of total revenue of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Winthrop University Real Estate Foundation Inc., is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of The Winthrop University Foundation and Winthrop Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component units of Winthrop University as of June 30, 2015, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2015, the University adopted new accounting guidance, Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) net pension liability, and the schedule of University contributions to the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

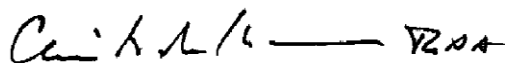
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Winthrop University's basic financial statements. The other financial information is presented for purposes of additional analysis as required by Office of the South Carolina Comptroller General and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The other financial information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other financial information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, on our consideration of Winthrop University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Gaffney, SC  
September 18, 2015



**WINTHROP UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

The following discussion and analysis has been prepared by management to provide an overview of the financial position and activities of Winthrop University (the University) for the year ended June 30, 2015. This discussion should be read in conjunction with the financial statements and accompanying notes to the financial statements. The financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also complies with the requirements of GASB Statements 36, 37, 38 and 61 that were issued to amend Statements 34 and 35. In the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**Introduction**

Building on its 19th century origins, Winthrop University's mission is to provide personalized and challenging undergraduate, graduate, and continuing professional education programs of national caliber within a context dedicated to public service to the nation and to the State of South Carolina. Winthrop's longtime commitment to be among the very best institutions of its kind in the nation continually guides the mission of the university, providing an educational experience that blends liberal arts, professional programs, global awareness and civic engagement.

Winthrop enrolls an achievement-oriented, culturally diverse and socially responsible student body. The University recruits South Carolina's most able students as well as highly qualified students from beyond the state whose presence adds diversity and enrichment to the campus and the state. Winthrop prides itself on being an institution of choice for groups traditionally under-represented on many college campuses.

Approximately 20 minutes from Charlotte, Winthrop's campus encompasses a rich architectural blend of neo-Georgian buildings and is included in the National Register of Historic Places. Behind its stately façade you'll find top-notch academic facilities, enhanced with SMART technology. An attractive recreational area surrounds Winthrop Lake and includes a 6,100-seat coliseum and numerous athletics facilities, for both collegiate and recreational play. Winthrop has a diverse and able faculty and professional staff of national caliber and supports their work as effective teachers, scholars, researchers, practitioners, and creative artists. Through this talented group, Winthrop students acquire and develop knowledge, skills, capabilities and values that enrich their lives and prepare them to meet the needs and challenges of the contemporary world, including the ability to communicate effectively, appreciate diversity, work collaboratively, synthesize knowledge, solve complex problems, and adapt to change. Ongoing assessment of programs and services ensures that all academic programs challenge students at their highest level of ability, and that the library, instructional technology and other academic service areas support courses of study that are consonant with best practices. As a result, Winthrop graduates are eminently well prepared to enter the most competitive graduate or professional schools as well as to be leaders in their chosen professions and in their communities.

Winthrop embraces only those programs and activities that can be delivered at an exemplary level. Numerous national accolades reflect the sustained high quality and value of the Winthrop Experience, including:

- **U.S. News & World Report** has included Winthrop in its listings of America's Best Colleges for the past 23 years.
- **Washington Monthly** has identified Winthrop as the top master's degree-granting public university in South Carolina for contributions to the public good. The magazine also rates the university as one of America's "Best Bang for the Buck Colleges." For contributions to the public good, Winthrop ranked 74th out of 673 institutions and was the state's highest-ranking public university in the master's category.
- **Princeton Review** rated Winthrop among the "Best in the Southeast" in its online feature "2016 Best Colleges: Region by Region." This selection is made based on academic excellence and what students report about their college experiences. Winthrop has been included in the regional guidebook since its initial publication in 2003.
- **Beating the Odds** - Winthrop was among 32 postsecondary institutions – and the only South Carolina institution – recognized nationally for "beating the odds" in helping students, particularly minority students, most prone to dropping out of college stay on track toward graduation. In a fall 2011 report developed with support from the Bill & Melinda Gates Foundation, Winthrop was singled out for its efforts to improve college completion rates and prepare students for successful careers.
- **AffordableCollegesOnline.org**, a resource for college affordability and financial aid information, identified Winthrop University as one of the top five South Carolina public universities with the greatest lifetime return on investment. The organization noted that graduates of schools on its list enjoy the largest earnings gap between non-degree holders over a 30-year span.
- **Association of American Colleges and Universities** - Winthrop University is one of only 23 institutions from across all sectors of U.S. higher education comprising the AAC&U Core Commitments Leadership Consortium, which is designed to bring together the most promising institutional practices related to educating students for personal and social responsibility as well as to deepen and extend these efforts.
- **The Carnegie Foundation for the Advancement of Teaching** selected Winthrop to receive its 2015 Community Engagement Classification. The designation means that Winthrop has an institutional focus on community engagement that is ingrained in campus life. This classification was first offered in 2006 and Winthrop was first certified in 2008.

### **Statement of Net Position**

The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Winthrop University. The Statement of Net Position is a point-of-time financial statement that presents data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position of the University as of the end of the fiscal year. Current assets are those that are reasonably expected to be realized in cash or sold or consumed within one year. Current liabilities are obligations whose liquidation is expected to require the use of current assets.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the institution. The next category is restricted net position, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is not available for expenditure. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted net position. The unrestricted portion of net position is available to the institution for any lawful purpose of the university. Although the unrestricted portion is not subject to externally imposed restrictions, substantially all of the University's unrestricted net position has been designated for various academic initiatives or future capital commitments.



The following Condensed Statement of Net Position has been presented to comply with the changes required by GASB 68. The unrestricted net position is a negative as a result of the adoption of GASB 68 and the recognition of the University's proportionate share of the net pension liabilities for the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS). For additional information, see Impact of GASB 68 on page 8, as well as Note 10 in the accompanying notes to the financial statements.

# **CONDENSED STATEMENT OF NET POSITION**

	<b>2015</b>	<b>2014</b>	<b>Increase/ (Decrease)</b>
<b>ASSETS</b>			
Current Assets	\$ 26,050,532	\$ 25,830,883	\$ 219,649
Capital Assets, Net of Accumulated Depreciation	114,903,621	120,167,596	(5,263,975)
Other Noncurrent Assets	13,878,131	14,224,492	(346,361)
Total Assets	154,832,284	160,222,971	(5,390,687)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	7,385,935	725,189	6,660,746
<b>LIABILITIES</b>			
Current Liabilities	24,377,469	25,127,403	(749,934)
Noncurrent Liabilities	59,109,234	65,077,771	(5,968,537)
Net Pension Liability	77,734,202	-	77,734,202
Total Liabilities	161,220,905	90,205,174	71,015,731
<b>DEFERRED INFLOWS OF RESOURCES</b>	6,766,012	4,757	6,761,255
<b>NET POSITION</b>			
Net Investment in Capital Assets	56,314,874	56,610,863	(295,989)
Restricted for Nonexpendable	499,628	498,279	1,349
Restricted for Expendable	2,297,866	2,798,708	(500,842)
Unrestricted *	(64,881,066)	10,830,379	(75,711,445)
Total Net Position	\$ (5,768,698)	\$ 70,738,229	\$ (76,506,927)

\*See Impact of GASB 68 on page 8. Exclusive of the GASB 68 changes, the Unrestricted Net Position increased by \$1,845,246 to a total of \$12,675,625.

- While Current Assets had only a slight increase overall, Capital Assets, Net of Accumulated Depreciation decreased by \$5,263,975, which was depreciation expense of \$5.79M less the net value of assets placed into service of \$530,290.
- Other Noncurrent Assets decreased by \$346,361. Restricted cash in the Teaching Fellows and CERRA scholarship funds increased \$640,000. In addition, \$536,000 in non-recurring maintenance funds was on hand and not yet spent at year end. These increases were offset by a decrease of nearly \$1.4M in State Institution Bond proceeds for funds drawn to support project expenses within the fiscal year. And finally, Perkins Loan receivables declined by \$87,350.

- Deferred Outflows of Resources increased by \$6,660,746, primarily resulting from the adoption of GASB 68. Under GASB 68, the liability experience and contributions subsequent to the measurement date are reported in Deferred Outflows of Resources, and for the University, totaled \$6,764,344 as of June 30, 2015. This Outflows of Resources will be amortized in subsequent periods. The remaining \$103,598 was the reduction in the deferred amount from a May 2012 General Obligation Bond refunding where the difference between the reacquisition price and the net carrying value of the previous bonds is being recognized as a component of interest expense over the life of the new bond.
- Current Liabilities decreased by \$749,934. While overall trade, accrued interest and payroll liabilities at year end declined from the previous year by just over \$960,000, funds held in trust increased by \$657,000, primarily in the Teaching Fellows and CERRA scholarship accounts. In addition, unearned revenues primarily related to non-recurring maintenance funds on hand not yet spent at year end, increased by \$534,000. And finally, the current portion of compensated absences declined by nearly \$245,000, and the current portion of long term debt decreased by \$729,429 with the payoff of the Master Lease debt for the administrative computing hardware and software systems.
- Noncurrent Liabilities decreased by \$5.9 million primarily due to the change in long term debt of \$6M as a result of principal payments made during the 2015 fiscal year.
- Net Pension Liability was \$77,734,202. Again, this liability is the University's proportionate share of the pension liability amount related to its defined benefit plans. The amount is provided by the South Carolina Public Employee Benefit Authority's (PEBA's) consulting actuary, and reported in accordance with the requirements of GASB 68.
- Deferred Inflows of Resources increased by \$6,761,255, of which \$6,586,834 related to the adoption of GASB 68. This nearly \$6.6 M is the amount reported by PEBA's consulting actuary as the investment experience not included in the current pension liability and under GASB 68, is reported as Deferred Inflows of Resources and will be amortized in subsequent periods.
- Overall, with the changes required by GASB 68, the University's overall Net Position decreased by \$76,506,927.
  - Net Investment in Capital Assets decreased by \$296K. As mentioned earlier, the overall Capital Asset value declined by nearly \$5.3 million as a result of depreciation expense in excess of the value added for new assets less assets disposed. However, long term debt also decreased by \$6.7M as a result of current year debt payments and amortized premiums. And finally, the value of debt proceeds on hand not yet spent as of June 30 decreased by \$1.67M as a result of project expenditures incurred throughout the year.
  - Restricted for Expendable decreased by \$500,842 primarily as a result of a decrease in the year-end balance in the technology grant funds spent in fiscal year 2015.
  - And finally, the Unrestricted Net Position decreased by \$75,711,445. Of this amount, \$77,556,691 relates to the GASB 68 requirement to report the pension liabilities. Exclusive of the GASB 68 changes, the Unrestricted Net Position actually increased by \$1,845,246. (See additional explanation in Impact of GASB 68 that follows.)

### **Impact of GASB 68**

The new GASB 68 standard creates an *accounting* liability rather than a legal liability. Although pursuant to accounting standards, the University must report its proportionate share of the pension liability for the state's defined benefit retirement plans, the University has no legal requirement to fund or pay out that share of the liability. Internally, the University's management must continue to ensure that the University's financial position is sound. In fiscal year 2015, when excluding the GASB 68 impact, the University's unrestricted net position actually increased by \$1,845,246 to a total of \$12,675,625. The increase was primarily a result of management's decision to reduce direct operating budgets by 10% in all divisions, recognized savings on vacant positions and recognized revenues in excess of budgets.

Following is the University's net position with the GASB 68 impact reported discretely.

<b>NET POSITION</b>	<b>2015</b>	<b>2014</b>	<b>Increase/ (Decrease)</b>
Net Investment in Capital Assets	56,314,874	56,610,863	(295,989)
Restricted for Nonexpendable	499,628	498,279	1,349
Restricted for Expendable	2,297,866	2,798,708	(500,842)
Unrestricted (exclusive of GASB 68)	12,675,625	10,830,379	1,845,246
Unrestricted (GASB 68 portion)	(77,556,691)	-	(77,556,691)
Total Net Position	<u>\$ (5,768,698)</u>	<u>\$ 70,738,229</u>	<u>\$ (76,506,927)</u>

### **Statement of Revenues, Expenses and Changes in Net Position**

Changes in Total Net Position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or spent by the University. Operating revenues are those that are earned in exchange for goods or services provided while carrying out the mission of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the legislature to the University without the legislature directly receiving commensurate goods and services for those revenues.

The Statement of Revenues, Expenses and Changes in Net Position is prepared on the accrual basis of accounting. Accrual accounting records the financial effects of transactions on an entity in the period in which those transactions occur rather than in the period in which cash is received or paid. Revenues are recognized when services or goods are provided. Expenses are recognized when resources are utilized in order to produce goods or services.

## CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED JUNE 30, 2015

	2015	2014	Increase/ (Decrease)
Operating Revenues	\$ 93,049,869	\$ 93,685,828	\$ (635,959)
Operating Expenses	117,946,111	116,702,523	1,243,588
Operating Loss	(24,896,242)	(23,016,695)	(1,879,547)
Nonoperating Revenues (Expenses)	24,498,959	23,061,967	1,436,992
Loss before Other Revenues, Expenses, Gains, or Losses	(397,283)	45,272	(442,555)
Other Revenues, Expenses, Gains, or Losses	543,760	1,319,307	(775,547)
Increase/(Decrease) in Net Position	<u>\$ 146,477</u>	<u>\$ 1,364,579</u>	<u>\$ (1,218,102)</u>
Net Position – Beginning of Year	\$ 70,738,229	\$ 69,373,650	\$ 1,364,579
Cumulative Effect of Accounting and Reporting Entity Changes	(76,653,404)	-	(76,653,404)
Increase/(Decrease) in Net Position	146,477	1,364,579	(1,218,102)
Net Position – End of Year	<u>\$ (5,768,698)</u>	<u>\$ 70,738,229</u>	<u>\$ (76,506,927)</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase in net position for the year. Some highlights of the information presented on the Statement of Revenues, Expenses and Changes in Net Position are as follows:

- Operating Revenues decreased by \$635,959. Grants and Contracts revenues declined by just over \$2M as a result of work ending in FY 2015 on several US Department of Health and Human Services grants as well as one US Department of Education grant. Offsetting this decrease in operating revenues was an increase of \$533,746 in Tuition and Other Student Fees, and \$540,188 in Auxiliary Fees primarily resulting from fee increases approved by the University's Board of Trustees in June 2014. In addition, operating revenues increased by \$367,579 in Sales and Services of Educational and Athletic Activities.
- Operating Expenses increased overall by \$1,243,588. While Personnel Costs increased by just over \$300,000 and Services and Supplies decreased by just over \$570,000, this increase in operating expenses occurred primarily in Fringe Benefit costs, which increased by \$1,267,287. Of this increase, just over \$900,000 resulted directly from the changes required by GASB 68 to report the University's proportionate share of the South Carolina's Retirement and Police Officers Retirement Systems' pension expenses rather than the University's contribution expenses (made to the South Carolina Public Employee Benefit Authority on behalf of employees) as reported in previous years. The remaining change resulted from an increase in health care premium costs as well as an overall increase related to increased personnel costs.
- Nonoperating Revenues (Expenses) increased by \$1.4M. This increase resulted from an increase in State Appropriations, \$162,052 in general recurring and \$476,706 for Pay Plan and Health Insurance allocations. Revenues from Gifts also increased by just over \$700,000, primarily from an increase in Winthrop Foundation contributions of \$291,908 and contributions of just over \$300,000 from the Winthrop University Real Estate Foundation, Inc. Nonoperating revenues also increased as a result of a \$110,000 one-time bonus received from the new bookstore contractor.
- Other Revenues, Expenses, Gains, or Losses decreased by \$775,547 as a result of a decline in Capital Appropriations.
- As a result of the changes in revenues and expenses, the University's overall Net Position increased by \$146,477 in fiscal year 2015.

### **Capital Asset and Debt Activity**

The University issued no new debt, and as mentioned previously, paid down just over \$6M in long term debt during the 2015 fiscal year. The University currently has no plans to issue additional debt within the next fiscal year; however, management plans to work with the Office of the State Treasurer to identify any opportunities for savings through possible refinancing of existing debt.

### **Economic Outlook**

As a public institution, the University's economic outlook is directly affected by the State of South Carolina's economic position. In the fiscal year 2016 appropriations bill, the University received \$2,000,000 in non-recurring funds to replace the roof on Wither's Building, a building on the National Register of Historic Places. The University also received \$100,002 in additional recurring appropriations funding, and an additional \$142,841 in Health Insurance allocations.

The University will continue initiatives to increase access, enrollment and degree attainment, and align budget to those priorities. And as always, University's management will continue to monitor factors and make appropriate budget adjustments to ensure the University's overall financial position remains sound.



J. P. McKee  
Vice President for Finance and Business



Amanda Maghsoud  
Associate Vice President for Finance and Business

**WINTHROP UNIVERSITY**  
Statement of Net Position  
June 30, 2015

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 16,462,498
Accounts Receivable, Net	7,675,051
Inventories	379,151
Accrued Interest Receivable	21,327
Prepayments	1,512,505
Total Current Assets	<u>26,050,532</u>

**NONCURRENT ASSETS**

Cash and Cash Equivalents	
Restricted	10,454,283
Endowment	1,107,393
Perkins Loans Receivable, Net	2,316,455
Capital Assets, Net	114,903,621
Total Noncurrent Assets	<u>128,781,752</u>
Total Assets	<u>154,832,284</u>

**DEFERRED OUTFLOWS OF RESOURCES**

7,385,935

Total Assets and Deferred Outflows of Resources

162,218,219

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable and Accrued Liabilities	15,004,302
Unearned Revenue	1,919,391
Current Portion of Long Term Debt	5,453,240
Current Portion of Compensated Absences	2,000,536
Total Current Liabilities	<u>24,377,469</u>

**NONCURRENT LIABILITIES**

Compensated Absences	1,202,521
Perkins Loan Federal Liability	2,195,669
Bond Premium on Long Term Debt	1,872,232
Long Term Debt	53,838,812
Net Pension Liability	77,734,202
Total Noncurrent Liabilities	<u>136,843,436</u>
Total Liabilities	<u>161,220,905</u>

**DEFERRED INFLOWS OF RESOURCES**

6,766,012

Total Liabilities and Deferred Inflows of Resources

167,986,917

**NET POSITION**

Net Investment in Capital Assets	56,314,874
Restricted For:	
Nonexpendable:	
Scholarships and Fellowships	499,628
Expendable:	
Scholarships and Fellowships	394,558
Grants	696,826
Loans	280,715
Debt Service	925,767
Unrestricted	(64,881,066)
Total Net Position	<u>\$ (5,768,698)</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2015

**REVENUES**

**OPERATING REVENUES**

Student Tuition and Fees (of which \$211,840 of Revenues are Pledged for Athletic Facility Revenue Bonds Series 2001A5 and \$6,129,158 of Revenues are Pledged for General Obligation Bonds) (Net of Scholarship Discounts and Allowances of \$32,495,446)	\$ 46,756,169
Grants and Contracts	24,213,810
Sales and Services of Educational Activities	2,526,582
Sales and Services of Athletic Activities	1,522,689
Sales and Services of Auxiliary Enterprise Activities (of which \$5,340,850 of Auxiliary Revenues are Pledged under the Higher Education Bond Act)	16,596,039
Other Fees	1,086,901
Other Operating Revenues	347,679
Total Operating Revenues	<u>93,049,869</u>

**EXPENSES**

Personnel Costs	57,301,677
Fringe Benefits	18,831,747
Service and Supplies	25,545,661
Utilities	3,742,542
Scholarships and Fellowships	6,730,219
Depreciation	5,794,265
Total Operating Expenses	<u>117,946,111</u>
Operating Loss	<u>(24,896,242)</u>

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	14,552,512
Grants and Contracts	(4,420)
Federal Grants and Contracts	8,928,998
Gifts	2,086,652
Investment Income/(Loss)	177,012
Interest Expense	(2,246,413)
Other Nonoperating Revenues	1,004,618
Net Nonoperating Revenues	<u>24,498,959</u>
Loss Before Other Revenues, Expenses, Gains or Losses	(397,283)
Federal Capital Grants and Contracts	-
Capital Appropriations	543,760
Increase/(Decrease) in Net Position	<u>146,477</u>

**NET POSITION**

Net Position - Beginning of Year	70,738,229
Cumulative Effect of Accounting and Reporting Entity Changes	<u>(76,653,404)</u>
Net Position - End of Year	<u><u>\$ (5,768,698)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
Statement of Cash Flows  
For the Year Ended June 30, 2015

**CASH FLOWS FROM OPERATING ACTIVITIES**

CASH RECEIVED FROM

Student Tuition and Fees (Net of Scholarship Discounts and Allowances)	\$ 47,122,916
Grants and Contracts	25,233,586
Sales and Services of Educational Activities	2,457,278
Sales and Services of Athletic Activities	1,513,536
Sales and Services of Auxiliary Enterprise Activities	16,596,039
Other Fees	1,086,901
Collection of Loans	456,937
Receipts of Funds Held for Others	1,264,861
Inflows from Federal Direct Lending Loans to Students	37,788,027
Other Receipts	347,679

CASH PAID FOR

Personnel Costs	(57,451,095)
Fringe Benefits	(17,998,752)
Service and Supplies	(26,718,227)
Utilities	(3,742,541)
Students	(6,387,981)
Loans to Students	(367,617)
Payments of Funds Held for Others	(631,587)
Outflows from Federal Direct Lending Loans to Students	(37,824,201)
Net Cash Used by Operating Activities	<u>(17,254,241)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State Appropriations	14,829,878
Gifts and Grants	2,076,657
Federal Grants and Contracts	8,914,661
Commissions	652,144
Other Sources	352,474
Net Cash Provided by Noncapital Financing Activities	<u>26,825,814</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Appropriations	543,761
Purchases of Capital Assets	(522,290)
Principal Paid on Capital Debt and Lease	(6,184,334)
Interest and Fees	(2,759,811)
Net Cash Used by Capital and Related Financing Activities	<u>(8,922,674)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest Income	188,365
Net Cash Provided by Investing Activities	<u>188,365</u>
Net Change in Cash and Cash Equivalents	837,264
Cash and Cash Equivalents - Beginning of Year	27,186,910
Cash and Cash Equivalents - End of Year	<u><u>\$ 28,024,174</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



**WINTHROP UNIVERSITY**  
Statement of Cash Flows, Continued  
For the Year Ended June 30, 2015

**Reconciliation of Operating Loss to Net Cash  
Provided (Used) by Operating Activities:**

Operating Loss	\$ (24,896,242)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation Expense	5,794,265
Change in Assets and Liabilities:	
Accounts Receivable, Net	747,398
Inventories	(23,558)
Prepayments	(219,061)
Deferred Outflows of Resources	(6,764,345)
Accounts Payable and Accrued Liabilities	(44,592)
Accrued Salaries and Related Expenses	(208,259)
Unearned Revenue	533,973
Net Pension Liability	1,080,798
Deferred Inflows of Resources	6,756,834
Compensated Absences	(11,452)
	<u>(11,452)</u>
Net Cash Used by Operating Activities	<u><u>\$ (17,254,241)</u></u>

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents Classified as Current	\$ 16,462,498
Cash and Cash Equivalents Classified as Noncurrent Restricted	10,454,283
Cash and Cash Equivalents Classified as Noncurrent Endowment	<u>1,107,393</u>
	<u><u>\$ 28,024,174</u></u>

**Non-Cash Transactions:**

Disposal of Capital Assets	\$ 8,000
Acquisition of Capital Assets Through Donations	<u>(28,873)</u>
	<u><u>\$ (20,873)</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**  
(With comparative information for December 31, 2013)

<b>Assets</b>	Unrestricted Fund	Temporarily Restricted Funds	Permanently Restricted		Agency Funds	December 31	
			Endowment Funds	Split-Interest Agreements		2014 Total	2013 Total
Cash and Equivalents	\$ 1,195,854	-	-	-	-	1,195,854	2,719,039
Contributions Receivable, Net	45,275	349,501	1,096,581	-	-	1,491,357	1,499,148
Pooled Investments, at Fair Value	41,248,882	-	-	-	-	41,248,882	37,397,283
Investments, at Fair Value	-	-	-	4,055,787	-	4,055,787	4,176,321
Due From Other Funds	(42,784,237)	3,862,097	38,231,935	542,507	147,698	- *	(1)
Prepaid Expenses	-	-	-	-	-	-	12,745
Beneficial Interest in Perpetual Trust	-	-	-	903,258	-	903,258	917,941
Cash Value of Life Insurance	-	-	-	75,074	-	75,074	73,830
Office Furniture & Equipment Net of Depreciation	1,444	-	-	-	-	1,444	5,441
<b>Total Assets</b>	<b>\$ (292,782)</b>	<b>4,211,598</b>	<b>39,328,516</b>	<b>5,576,626</b>	<b>147,698</b>	<b>48,971,656</b>	<b>46,801,747</b>
<b>Liabilities and Net Assets</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 78,695	28,672	-	159	591	108,117	62,431
Payroll Liabilities	6,867	-	-	-	-	6,867	11,207
Actuarial Liability of Annuities Payable	-	-	-	2,765,059	-	2,765,059	2,928,390
Due To Other Funds	-	-	-	-	-	- *	-
Agency Funds	-	-	-	-	147,107	147,107	163,702
<b>Total Liabilities</b>	<b>85,562</b>	<b>28,672</b>	<b>-</b>	<b>2,765,218</b>	<b>147,698</b>	<b>3,027,150</b>	<b>3,165,730</b>
<b>Net Assets:</b>							
Unrestricted	(378,344)	-	-	-	-	(378,344)	(291,804)
Temporarily Restricted	-	4,182,926	-	-	-	4,182,926	3,603,724
Permanently Restricted	-	-	39,328,516	2,811,408	-	42,139,924	40,324,097
<b>Total Net Assets</b>	<b>(378,344)</b>	<b>4,182,926</b>	<b>39,328,516</b>	<b>2,811,408</b>	<b>-</b>	<b>45,944,506</b>	<b>43,636,017</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ (292,782)</b>	<b>4,211,598</b>	<b>39,328,516</b>	<b>5,576,626</b>	<b>147,698</b>	<b>48,971,656</b>	<b>46,801,747</b>

\* Interfund accounts do not constitute assets or liabilities of the entity as a whole.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT - THE WINTHROP UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**  
(With comparative information for the year ended December 31, 2013)

			Permanently Restricted		December 31	
	Unrestricted Fund	Temporarily Restricted Funds	Endowment Funds	Split-Interest Agreements	2014 Total	2013 Total
Revenues, Gains and Other Support:						
Contributions	\$ 375,799	2,146,366	2,113,583	30,000	4,665,748	4,629,829
Less: Provision for Doubtful Pledges	(6,148)	(26,048)	4,579	-	(27,617)	71,478
Provision for Pledge Discounts	1,520	(7,987)	11,081	-	4,614	(15,488)
Investment Earnings (Losses)	-	-	1,559,949	192,376	1,752,325	5,153,655
Management Fee Allocation	1,559,949	-	(1,559,949)	-	-	-
Reimbursement Income	60,036	-	-	-	60,036	-
Increase (Decrease) in Cash Surrender Value	-	-	-	1,244	1,244	(23,018)
Change in Value of Split-Interest Trusts	-	-	-	148,647	148,647	19,144
	<u>\$ 1,991,156</u>	<u>2,112,331</u>	<u>2,129,243</u>	<u>372,267</u>	<u>6,604,997</u>	<u>9,835,600</u>
Net Assets Released From Restrictions -	<u>1,880,012</u>	<u>(1,510,791)</u>	<u>-</u>	<u>(352,626)</u>	<u>16,595</u>	<u>15,511</u>
EXPENSES						
Operating Expenses:						
Salaries and Benefits	558,645	-	-	-	558,645	251,322
Directors, Expenses	3,435	-	-	-	3,435	5,336
Rent	8,040	-	-	-	8,040	540
Telephone	4,245	-	-	-	4,245	851
Office Supplies, Postage and Printing	8,871	-	-	-	8,871	4,397
Insurance	5,784	-	-	-	5,784	3,756
Professional Fees	57,871	-	-	-	57,871	70,151
Software	51,892	-	-	-	51,892	57,687
Depreciation	3,997	-	-	-	3,997	7,719
Travel and Entertainment	5,307	-	-	-	5,307	34,196
Credit Card Fees	9,458	-	-	-	9,458	7,808
Professional Memberships	9,135	-	-	-	9,135	-
	<u>726,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>726,680</u>	<u>443,763</u>
Fund Raising:						
Development Salaries	613,800	-	-	-	613,800	822,550
Principal Gifts	22,551	-	-	-	22,551	8,314
Campaign Consultant	21,702	-	-	-	21,702	27,871
Annual Fund	94,111	-	-	-	94,111	79,525
Planned Giving	-	-	-	-	-	7,186
Donor Relations	17,910	-	-	-	17,910	9,941
Campaign Travel and Events	18,059	-	-	-	18,059	-
Outreach Travel and Events	4,268	-	-	-	4,268	23,629
Advancement Services	13,233	-	-	-	13,233	15,489
Postage, Printing and Supplies	-	-	-	-	-	-
	<u>805,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>805,634</u>	<u>994,505</u>
Grants to Winthrop University:						
General Scholarships	421,000	-	-	-	421,000	246,115
Restricted Scholarships, Grants and Annuities	1,880,012	-	-	-	1,880,012	1,713,650
Alumni Association	134,132	-	-	-	134,132	91,300
Faculty Awards	9,000	-	-	-	9,000	6,000
Presidents Salary Supplement	154,927	-	-	-	154,927	174,977
Advancement	20,636	-	-	-	20,636	27,965
University General Support	161,082	-	-	-	161,082	31,969
	<u>2,780,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,780,789</u>	<u>2,291,976</u>
Total Expenses	<u>4,313,103</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,313,103</u>	<u>3,730,244</u>
Net Increase (Decrease) in Net Assets Before Transfers	(441,935)	601,540	2,129,243	19,641	2,308,489	6,120,867
Net Transfers	<u>355,395</u>	<u>(22,338)</u>	<u>(333,038)</u>	<u>(19)</u>	<u>-</u>	<u>86,251</u>
	(86,540)	579,202	1,796,205	19,622	2,308,489	6,207,118
Net Assets, Beginning of Period	<u>(291,804)</u>	<u>3,603,724</u>	<u>37,532,311</u>	<u>2,791,786</u>	<u>43,636,017</u>	<u>37,428,899</u>
	<u>\$ (378,344)</u>	<u>4,182,926</u>	<u>39,328,516</u>	<u>2,811,408</u>	<u>45,944,506</u>	<u>43,636,017</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2014**

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
<b><u>Assets</u></b>			
Current assets:			
Cash and cash equivalents	\$ 556,057	30,017	586,074
Trustee cash reserved for operations	1,327,957	-	1,327,957
Accounts receivable	10,991	1,595	12,586
Mortgage note receivable	-	9,129	9,129
Prepaid expenses	14,888	-	14,888
Total current assets	1,909,893	40,741	1,950,634
Property and equipment, net	12,790,943	-	12,790,943
Other assets:			
Bond closing costs, net	139,393	-	139,393
Mortgage note receivable	-	102,446	102,446
Trustee cash reserved for debt service	1,000,299	-	1,000,299
Trustee cash reserved for repairs	854,024	-	854,024
Trustee cash reserved for operating contingencies	205,058	-	205,058
Real estate gifts	-	708,000	708,000
Other assets	-	-	-
Total other assets	2,198,774	810,446	3,009,220
Total assets	<u>\$ 16,899,610</u>	<u>851,187</u>	<u>17,750,797</u>
<b><u>Liabilities and Net Assets</u></b>			
Current liabilities:			
Accounts payable	\$ 377,683	1,362	379,045
Current portion of long-term debt	495,000	-	495,000
Total current liabilities	872,683	1,362	874,045
Long-term debt :			
Bonds payable	15,960,000	-	15,960,000
Less: current portion of long-term debt	(495,000)	-	(495,000)
Total long-term debt	15,465,000	-	15,465,000
Total liabilities	16,337,683	1,362	16,339,045
Net Assets:			
Unrestricted	561,927	-	561,927
Temporarily restricted	-	849,825	849,825
Total net assets	561,927	849,825	1,411,752
Total liabilities and net assets	<u>\$ 16,899,610</u>	<u>851,187</u>	<u>17,750,797</u>

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
**COMPONENT UNIT**  
**WINTHROP UNIVERSITY REAL ESTATE FOUNDATION, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Unrestricted	Temporarily Restricted	Total
<b><u>Changes in Net Assets</u></b>			
Revenue			
Program revenues	\$ 2,921,853	-	2,921,853
Income from real estate gifts, net	-	13,736	13,736
Rental income	6,750	-	6,750
Interest income on mortgage note receivable	-	5,705	5,705
Total revenue	2,928,603	19,441	2,948,044
Net assets released from restrictions	14,400	(14,400)	-
Total revenue	2,943,003	5,041	2,948,044
Expenses			
Program services	2,358,469	-	2,358,469
Management and general	52,759	-	52,759
Mission gifts to related parties	149,157	-	149,157
Total expenses	2,560,385	-	2,560,385
Changes in net assets	382,618	5,041	387,659
Net assets, December 31, 2013	179,309	844,784	1,024,093
Net assets, December 31, 2014	<u>\$ 561,927</u>	<u>849,825</u>	<u>1,411,752</u>

The accompanying notes are an integral part of these financial statements.

**WINTHROP UNIVERSITY**  
Notes to Financial Statements  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations:** Winthrop University (the "University") is a State-supported, coeducational institution of higher education. Winthrop's primary mission is to provide personalized and challenging undergraduate, graduate and continuing professional education programs of national caliber within a context dedicated to public service to the State of South Carolina. All eligible bachelor, master and specialist degrees in the liberal arts and sciences, education, business and the visual and performing arts are nationally accredited.

**Reporting Entity:** Historically, the University has been treated as a part of the primary government of the State of South Carolina, and its funds were previously reported in the state's higher education enterprise funds in the Comprehensive Annual Financial Report of the State of South Carolina. During fiscal year 2012-13, the State of South Carolina implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34. As a result of this implementation, the University is now reported as a discretely presented component unit on the State of South Carolina's Comprehensive Annual Financial Report. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government instead of blending the University's financial information into the State's financial information.

The financial reporting entity, as defined by GASB Statement No. 14, *The Financial Reporting Entity*, and amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. The University has determined that the financial reporting entity consists of the primary government, Winthrop University, as well as its' component units, The Winthrop University Foundation (the Foundation) and Winthrop University Real Estate Foundation, Inc. (WUREF, Inc.).

The Foundation, a legally separate component unit of Winthrop University, is an independent not-for-profit tax exempt public charity incorporated under the laws of South Carolina on May 17, 1983, and organized to foster, cooperate, and assist in the growth, development, and advancement of the University. The Foundation is governed by an independent Board of Directors, and is exclusively a charitable and educational corporation within the meaning of section 501(c) (3) of the IRS Code of 1954. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University.

The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. Effective July 1, 2003, the Foundation changed its financial year-end from June 30 to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2013. Complete financial statements for the Foundation can be obtained by calling 803-323-2229.

WUREF, Inc., also a legally separate component unit of Winthrop University, is a nonprofit corporation organized under the laws of the State of South Carolina in August 1999. WUREF, Inc. was formed for the benefit of the University and their stated purpose is to encourage gifts of real estate and to develop, own, manage, lease and sell real property for the University.

In fulfilling this purpose, WUREF, Inc. has formed two separate, wholly owned subsidiaries. In December 2001, WUREF Development, LLC (WUREF, LLC) was created in order to construct a new student housing opportunity for the University. The Courtyard at Winthrop (The Courtyard), a 406-bed, townhouse-style housing facility was completed and opened for occupancy in January 2003. WUREF, LLC's charge is to ensure the continued viability of The Courtyard through maximum occupancy percentages and fiscal responsibility and to build revenue for future housing development.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Reporting Entity:** Continued

In November 2003, WUREF, Inc. also formed Winthrop Real Estate, LLC (WRE, LLC). WRE, LLC was created in order to develop, own, manage, lease and sell real property for the University.

All financial activities of the two separate organizations have been consolidated in the financial statements of WUREF, Inc.

The majority of resources, or income thereon, that WUREF, Inc. holds and invests are restricted to the activities of the University. Because these restricted resources held by WUREF, Inc. can only be used by, or for the benefit of, the University, WUREF, Inc. is considered a component unit of the University.

WUREF, Inc. is reported in separate financial statements because of the difference in its reporting model, as further described below, and because their financial year does not coincide with the University's. WUREF, Inc. previously maintained a June 30 accounting year-end. On October 21, 2003, the board of directors elected to revise its fiscal year end to December 31. Therefore, the accompanying statement of activities is for the year ended December 31, 2014. Complete financial statements for WUREF, Inc. can be obtained by calling 803-323-2374.

The Foundation and WUREF, Inc. report their financial results in accordance with Financial Accounting Standard Board (FASB) Statements. Most significant to their operations and reporting models are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit-Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to either the Foundation or WUREF, Inc.'s financial information in the University's financial reporting entity for these differences, however significant note disclosures (See Note 18) to the Foundation and WUREF Inc.'s financial statements have been incorporated into the University's Notes to the Financial Statements.

**Basis of Presentation:** Effective July 1, 2001, the financial statement presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The University also meets the requirements of GASB Statements 36, 37, and 38 that were issued to amend Statements 34 and 35. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

For 2013, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the University's 2013 financial statements; however, there was no effect on beginning net position.

Effective for the fiscal year ending June 30, 2014, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 identifies deferred outflows of resources and deferred inflows of resources for certain items previously reported as assets and liabilities. Adoption of this statement resulted in no material impact to the University.

Effective for the fiscal year ending June 30, 2015, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27*. The University will now report its proportionate share of the State of South Carolina's net pension liability. See Note 10 for discussion of the impact of this implementation to the University.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Basis of Accounting:** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-institutional transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

**Cash and Cash Equivalents:** For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

**Accounts Receivable:** Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students. Accounts receivable also include amounts due from the Federal government, State and Local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The Perkins Loan Receivable is presented entirely as noncurrent (see Note 3).

**Inventories:** Inventories are carried at cost determined by using the first in first out method for all inventories except Printing Services whose inventory is based on "last price paid" and the Health Center inventory of pharmaceutical drugs and miscellaneous items which is based on last in first out.

**Prepayments:** Prepayments arise when the University pays for goods or services in advance. Such transactions typically occur for insurance and travel. The policy is to record as a prepayment any transaction over \$1,000 for which payment had been made prior to June 30, 2015 but for which the goods or services would not be received until after July 1, 2015.

**Capital Assets:** Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The University has selected a useful life of 25 to 50 years for buildings, renovations and land improvements. The useful life for machinery, equipment and vehicles varies between 2 and 25 years depending on the asset. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition. Effective July 1, 2011, all new purchases of capital assets are depreciated based on the prorated number of days in service in the year acquired. In the year the asset is disposed, depreciation is calculated for the prorated number of days in service until the asset is removed from service.

Interest cost incurred during the construction phase of capital assets is reflected in the capitalized value of the asset constructed net of interest earned on the invested proceeds over the same period.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Deferred Outflows of Resources and Deferred Inflows of Resources:** Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined these elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

Deferred outflows of resources includes the deferred amount on a bond refunding which is being recognized as a component of interest expense in a systematic manner over the life of the debt. Deferred inflows of resources represents resources received on voluntary nonexchange transactions relating to a future period.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. See Note 10 for further details.

**Unearned Revenues:** Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Other types of unearned revenues represent admissions prepayments and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

**Compensated Absences:** Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as compensated absences in the Statement of Net Position, and as a component of personnel costs in the Statement of Revenues, Expenses and Changes in Net Position.

**Net Assets:** The University's net assets are classified as follows:

*Net investment in capital assets:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted net assets - expendable:* Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources and then to unrestricted resources.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**, Continued

**Classification of Revenues:** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating revenues:* Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, health services and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (3) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Certain indentures require the University to pledge various revenues to meet debt payments. The University has disclosed those revenues pledged on the face of the Statement of Revenues, Expenses and Changes in Net Position.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, interest income and any grants and contracts that are not classified as operating revenues or restricted by the grantor to be used exclusively for capital purposes.

**Scholarship Discounts and Allowances:** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Sales and Services of Educational Activities:** Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research and public service activities that incidentally create goods and services which may be sold to students, faculty, staff and the general public. The University receives such revenues primarily from public service activities.

**Sales and Services of Athletic Activities:** Revenues from sales and services of athletic activities generally consist of amounts received from athletic event ticket sales, advertising sales and participatory fees received from opposing teams.

**Sales and Services of Auxiliary Enterprises Activities:** Auxiliary enterprise revenues primarily represent revenues generated by housing, cafeterias, health services, vending and bookstore. Internal services of auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

**Use of Estimates in Accounting:** The University has used estimates in certain situations to enable it to properly prepare the financial statements. Estimates are used to determine the useful life of long-lived assets such as buildings and equipment. The University has used estimates as provided by the South Carolina Comptroller General's Office in developing the estimates of useful lives. In addition, the University has estimated the percentage of accounts receivable that may not be collected, typically known as the allowance for doubtful accounts. The University uses an aging analysis to estimate this allowance - the longer the accounts receivable has gone unpaid, the greater the possibility the amount will not be collected.

**Income Taxes:** Winthrop University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

**Component Units:** See Note 18.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**

All deposits of the University are under the control of the State Treasurer, who by State law, has sole authority for investing State funds.

The following schedule reconciles Deposits to the Statement of Net Assets amounts:

STATEMENT OF NET ASSETS:

Cash and Cash Equivalents - Current	\$ 16,462,498
Cash and Cash Equivalents - Restricted	
Debt Service	2,053,716
Capital Project	2,370,635
Student Loan	7,213,264
Grants and Contracts	(1,183,442)
Other	110
Cash and Cash Equivalents - Endowment	1,107,393
Total	<u><u>\$ 28,024,174</u></u>

DEPOSITS:

Cash on Hand	\$ 226,679
Deposits Held by State Treasurer	27,797,495
Other Deposits	-
Total	<u><u>\$ 28,024,174</u></u>

Perkins Loan Program Cash

At June 30, 2015, Winthrop University had approximately \$118,809 in an account with a Financial Institution for exclusive use by the Perkins Loan Program. Approximately \$0 of these funds is not collateralized.

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. At June 30, 2015, Winthrop University had \$27,797,495 in Deposits Held by State Treasurer. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Concentrations of Credit Risk and Market Risk - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation's concentration of potential credit and market risk lies primarily with its investments. This exposure is limited by the Foundation's investment objectives and policies that require the investment portfolio be adequately diversified among types, issuers, industries and geographic regions and utilizes multiple investment managers. The Foundation also from time to time has a concentration of cash in bank accounts that exceeds FDIC insurance limits. At December 31, 2014, the Foundation's bank balances were within these limits. These deposits were in a high credit quality institution.

Concentration of Credit Risk - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

WUREF, Inc. maintains bank accounts at various banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an individual institution up to \$250,000. The amounts on deposit at each bank, at times during the year, may have exceeded the federally insured limit. The amount on deposit in excess of the federally insured limit at December 31, 2014 was \$3,678,184.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation considers all interest bearing money market accounts and short-term investments with an initial maturity of three months or less at the date of purchase to be cash equivalents. The Foundation places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation provides coverage for certain qualifying and participating non-interest bearing transaction accounts up to an aggregate of \$250,000 per bank per taxpayer.

As of December 31, 2014, the Foundation had a \$1,014,057 bank balance which is collateralized with U.S. Government or U.S. Government Agency securities placed with the Federal Reserve. These securities are held in the name of the financial institution but assigned to the Foundation. During the year ended December 31, 2014, the Foundation had no deposits in excess of the insured limits and collateralized amounts.

Cash and Cash Equivalents - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Cash and cash equivalents at December 31, 2014 were as follows:

Unrestricted	\$	556,057
Restricted		30,017
		<u>\$ 586,074</u>

The restricted cash must be transferred to The Winthrop University Foundation (a related party) when the related real estate gifts are sold in the future.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Trustee Cash - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Trustee cash is monies on deposit within WUREF, LLC. These funds relate to the issuance of bonds for the purposes of The Courtyard. The funds were obtained either from the proceeds of the issuance of the bonds, or were allocated from operations to the reserve accounts in compliance with covenants agreed upon in the bond issuance. The trustee cash accounts at December 31, 2014 are as follows:

Trustee cash reserved for operations	\$ 1,327,957
Trustee cash reserved for debt service	1,000,299
Trustee cash reserved for repairs	854,024
Trustee cash reserved for operating contingencies	<u>205,058</u>
	<u><u>\$ 3,387,338</u></u>

Investments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

During the year, the Foundation invested its portfolio with two separate advisors; Brown Brothers Harriman, a privately held financial institution, and Carroll Financial Associates, an investment management firm. A residual amount from a liquidating hedge fund is also invested with Bank of America/Merrill Lynch. The investment portfolio includes all Foundation funds except split-interest trusts and unrestricted funds. Pooling these assets serves to maximize the earnings potential of the funds.

There were no investments in an unrealized loss position as of December 31, 2014.

Investments at December 31, 2014 are summarized as follows:

	<b>Brown Brothers Harriman</b>	<b>Carroll Financial Associates</b>	<b>Bank of America</b>	<b>Combined Portfolio Assets</b>
Cash	\$ 16,782	91,966	-	108,748
Money Market Funds	647,237	163,762	-	810,999
Fixed Income (Bonds/ABS) Funds	5,544,712	-	-	5,544,712
US Large Cap Equity	7,214,595	1,070,671	-	8,285,266
US Small/Mid Cap Equity	1,036,367	-	-	1,036,367
Preferred Stock	-	514,660	-	514,660
International Equity	1,412,692	-	-	1,412,692
Emerging Market Equity	1,813,329	-	-	1,813,329
Mutual Funds	-	14,708,135	-	14,708,135
Hedge Funds	2,409,944	-	13,794	2,423,738
Exchange-Traded Products	-	4,468,447	-	4,468,447
REITs	-	790,645	-	790,645
Public Real Estate	250,891	-	-	250,891
<b>Total Investments</b>	<u><u>\$ 20,346,549</u></u>	<u><u>21,808,286</u></u>	<u><u>13,794</u></u>	<u><u>42,168,629</u></u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS**, Continued

Investments - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***

Investment earnings for the year ended December 31, 2014 consisted of:

Dividends and Interest	\$ 855,841
Unrealized Gains (Losses)	430,454
Realized Gains (Losses)	451,310
	<hr/> 1,737,605
Less: Investment Management Fee	<hr/> (178,984)
Net Earnings Available to Endowments	<hr/> <u>\$ 1,558,621</u>

Fair Value Measurements - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

The Foundation is required to present its financial instruments using a framework that measures fair value under accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. This statement requires fair value measurements to be classified and disclosed in one of the following three categories (Fair Value Hierarchy):

- Level 1 Financial instruments with unadjusted, quoted prices listed on active market exchanges.
- Level 2 Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for the Foundation's assets measured at fair value at December 31, 2014:

***Money Market Fund:*** Valued at NAV. The Foundation invests in this fund to provide daily liquidity. Fair value is based on the NAV that can be validated with a sufficient level of observable activity (i.e. purchases and sales at NAV) and was therefore classified within Level 2 of the fair value hierarchy.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 2 - CASH AND CASH EQUIVALENTS, OTHER DEPOSITS AND INVESTMENTS,** Continued

Fair Value Measurements - Non Governmental Discretely Presented Component Unit, Continued

***The Winthrop University Foundation***

**Equities:** Valued at the closing price reported on the active market on which the individual Securities are traded.

***Fixed Income Funds, Mutual Funds, International Equity Funds, Emerging Markets Equity***

***Funds and Exchange-Traded Products:***

Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

**Preferred Stock:** Valued at the closing price reported on the active market on which the individual securities are traded.

**Hedge Funds:** The Foundation held ownership in three separate hedge funds at year end, including an event-driven fund and a long/short equity fund. Fair values are estimated and reflected as Level 3.

**Public Real Estate:** These holdings are traded under the name BBH Wealth Strategies, LLC REMS and are reflected on the December 31, 2014 statement with an estimated value.

**REITs:** Shares in real estate investment trusts are actively traded and are reflected at the daily closing price.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments measured at fair value at December 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash/Money Market	\$ -	919,747	-	919,747
Fixed Income Funds	5,544,712	-	-	5,544,712
US Large Cap Equity	8,285,266	-	-	8,285,266
US Small/Mid Cap Equity	1,036,367	-	-	1,036,367
Preferred Stock	514,660	-	-	514,660
International Equity	1,412,692	-	-	1,412,692
Emerging Market Equity	1,813,329	-	-	1,813,329
Mutual Funds	14,708,135	-	-	14,708,135
Hedge Funds	-	-	2,423,738	2,423,738
Exchange-Traded Products	4,468,447	-	-	4,468,447
REITs	790,645	-	-	790,645
Public Real Estate	-	-	250,891	250,891
<b>Total</b>	<u>\$ 38,574,253</u>	<u>919,747</u>	<u>2,674,629</u>	<u>42,168,629</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2015, are summarized as follows:

State Appropriations	\$ 1,664,195
Student Accounts	3,961,720
Less Allowance for Doubtful Accounts	(799,307)
Student Loans Receivable - Federal Perkins	2,316,455
Less Allowance for Doubtful Accounts	-
Federal Grants and Contracts	1,678,210
State Grants and Contracts	469,991
Local Grants and Contracts	-
Foundations	497,508
Capital Improvement Bond Funds	129
Other	202,605
	<hr/>
Total Accounts Receivable, Net of Allowance	9,991,506
Less: Noncurrent Perkins Loan Receivable (See Note 4)	(2,316,455)
	<hr/>
Accounts Receivable, Net - Current	<u><u>\$ 7,675,051</u></u>

The State appropriations receivable represents monies due from the State General Fund for applicable University personnel services and employer contribution expenditures accrued at June 30 but paid in July from 2015-2016 appropriations. State law provides for such payroll costs to be paid from next year's appropriations.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2015, the allowance for uncollectible student accounts is valued at \$799,307.

The capital improvement bond funds receivable represents funds held by the State Treasurer that have been expended but not drawn.

Contributions Receivable - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Contributions receivable consist of pledges receivable and estimated receivables from split-interest trusts for which the Foundation is the remainder beneficiary but not the trustee. They are summarized as follows at December 31, 2014:

Less than One Year	\$ 666,580
One to Five Years	966,112
Over Five Years	200,000
	<hr/>
	1,832,692
Less Unamortized Discount	75,709
	<hr/>
	1,756,983
Less Allowance for Doubtful Pledges	265,626
	<hr/>
Net Unconditional Promises to Give	<u><u>\$ 1,491,357</u></u>

Discount rates ranged from 0.34% to 1.72%.



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 3 – ACCOUNTS RECEIVABLE,** Continued

Mortgage Note Receivable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On December 20, 2013, WUREF, Inc. entered into a mortgage note agreement of \$115,000 with a real estate company with an average interest rate of 5.00 percent. The note resulted from the sale of a gift of real estate and is being held for The Winthrop University Foundation. The note is due in quarterly installments plus interest. On December 1, 2018, there is a final balloon payment due of all outstanding principal and interest. Maturity on the mortgage note receivable is scheduled as follows for years ending December 31:

2015	\$	3,618
2016		3,802
2017		3,996
2018		100,159
		<hr/>
	\$	111,575
		<hr/>

**NOTE 4 - PERKINS LOANS RECEIVABLE AND FEDERAL LIABILITY**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable as of June 30, 2015. The entire receivable balance, as well as cash on hand associated with the program, is classified as Noncurrent Restricted Assets. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the U.S. Department of Education. At June 30, 2015, the allowance for uncollectible student loans is valued at \$0 because the U.S. Department of Education has the ultimate responsibility for collecting the loan.

The funds contributed by the Federal Government are refundable in the event the University decides to no longer participate in the program. Although the University plans to consider participating in the Perkins Loan Program for the foreseeable future, the University has recorded a long-term liability in the amount of \$2,195,669, representing the Federal portion of the loan program at June 30, 2015. The U.S. Congress began discussions regarding the reauthorization of Title 20 USC Sec 1087ff dealing with the Perkins Loan Program during fiscal year 2005. Although the University has no knowledge that any changes in the current program are anticipated, the law provides for the refunding of all Federal Capital Contributions beginning March 31, 2005 and continuing through March 31, 2012 (as proceeds are received from borrowers repaying their loans) if the program is not reauthorized.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 is summarized as follows:

	Beginning Balance July 1, 2014	Increases	Decreases	Transfers	Ending Balance June 30, 2015
Capital Assets Not Being Depreciated:					
Land	\$ 5,539,853	-	-	-	5,539,853
Construction in Progress	-	-	-	-	-
Collections	198,631	-	-	-	198,631
Total Capital Assets Not Being Depreciated	<u>5,738,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,738,484</u>
Other Capital Assets:					
Buildings and Improvements	184,917,978	-	-	-	184,917,978
Machinery, Equipment and Other	18,173,987	559,162	(222,413)	-	18,510,736
Vehicles	441,817	-	-	-	441,817
Total Other Capital Assets at Historical Cost	<u>203,533,782</u>	<u>559,162</u>	<u>(222,413)</u>	<u>-</u>	<u>203,870,531</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(78,192,925)	(4,562,473)	-	-	(82,755,398)
Machinery, Equipment and Other	(10,530,279)	(1,215,747)	193,541	-	(11,552,485)
Vehicles	(381,466)	(16,045)	-	-	(397,511)
Total Accumulated Depreciation	<u>(89,104,670)</u>	<u>(5,794,265)</u>	<u>193,541</u>	<u>-</u>	<u>(94,705,394)</u>
Capital Assets, Net	<u>\$ 120,167,596</u>	<u>(5,235,103)</u>	<u>(28,872)</u>	<u>-</u>	<u>114,903,621</u>

Net Investment in capital assets of \$56,314,874 as of June 30, 2015 is determined as follows:

Capital Assets, Net	\$ 114,903,621
Less Debt:	
Current Portion of Long Term Debt	(5,453,240)
Long Term Debt	(53,838,812)
Bond Premium of Long Term Debt	(1,872,232)
Advanced Refunding Institution Bonds	621,591
Plus Note Payable/Non Capital	-
Plus Unspent Bond Proceeds	<u>1,953,946</u>
Total Invested in Capital Assets, Net of Related Debt	<u>\$ 56,314,874</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 5 - CAPITAL ASSETS,** Continued

Equipment - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

A summary of equipment at December 31, 2014 follows:

Equipment	\$ 164,528
Less Accumulated Depreciation	<u>(163,084)</u>
Net Fixed Assets	<u><u>\$ 1,444</u></u>

Depreciation expense for the year ended December 31, 2014 was \$3,997.

Property and Equipment - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Account balances as of December 31, 2014 are as follows:

Land	\$ 537,106
Buildings	16,079,908
Furniture and Fixtures	680,414
Machinery and Equipment	<u>31,997</u>
	17,329,425
Less: Accumulated Depreciation	<u>(4,538,482)</u>
	<u><u>\$ 12,790,943</u></u>

Depreciation charged to expense during 2014 was \$322,550. This is a non-cash expense.

**NOTE 6 – DEFERRED OUTFLOWS OF RESOURCES**

On May 1, 2012, the University issued General Obligation Bonds to refund outstanding General Obligation Bonds (see Note 8). These current refundings and advanced refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. As of June 30, 2015, the University has \$621,591 remaining on this deferred amount on bond refundings which is being recognized as a component of interest expense on an annual basis over the life of the new bond.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts Payable and Accrued Liabilities as of June 30, 2015, are summarized as follows:

<b>CURRENT</b>	
Accrued Payroll and Related Liabilities	\$ 5,714,243
Trade Payables	1,195,128
Accrued Interest Payable	675,869
Student Deposits and Prepayments	7,418,762
Construction Contract Retainage	-
Other Accrued Liabilities	300
Total Accounts Payable	<u>\$ 15,004,302</u>

Accounts Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

At December 31, 2014, accounts payable primarily consisted of \$336,136 in funds owed to Winthrop University (a related party) in connection with amounts due to them for management of The Courtyard.

**NOTE 8 - LONG-TERM DEBT**

Long-term debt for the year ended June 30, 2015 is as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Due Within One Year
<b>Bonds, Notes and Capital Leases</b>					
General Obligation Bonds	\$ 47,910,000	-	(3,215,000)	44,695,000	3,315,000
Unamortized Premium	2,430,611	-	(558,379)	1,872,232	-
Athletic Facilities	840,000	-	(120,000)	720,000	120,000
Higher Education Facilities	10,855,000	-	(950,000)	9,905,000	995,000
Notes Payable	1,861,369	-	(475,684)	1,385,685	475,685
Master Lease Program					
Notes Payable	4,010,017	-	(1,423,650)	2,586,367	547,555
Capital Lease Obligations (See Note 8)	-	-	-	-	-
Total Bonds, Notes and Capital Leases	<u>67,906,997</u>	<u>-</u>	<u>(6,742,713)</u>	<u>61,164,284</u>	<u>5,453,240</u>
<b>Other Liabilities</b>					
Accrued Compensated Absences	3,214,509	1,989,084	(2,000,536)	3,203,057	2,000,536
Perkins Loan Federal Liability	2,383,934	-	(188,265)	2,195,669	-
Total Other Liabilities	<u>5,598,443</u>	<u>1,989,084</u>	<u>(2,188,801)</u>	<u>5,398,726</u>	<u>2,000,536</u>
Total Long-Term Liabilities	<u>\$ 73,505,440</u>	<u>1,989,084</u>	<u>(8,931,514)</u>	<u>66,563,010</u>	<u>7,453,776</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable

Bonds payable consisted of the following at June 30, 2015:

	<u>Rates</u>	<u>Dates</u>	<u>Balance</u>
General Obligation Bonds			
Series 2005B	3.5% to 5.5%	04/01/25	\$ 3,500,000
Series 2006A	4.12% to 5.75%	04/01/26	4,190,000
Series 2008B	3.25% to 5.0%	04/01/28	10,180,000
Series 2009A	2.5% to 4.12%	06/30/29	10,455,000
Series 2012D	4.0% to 5.0%	04/01/22	11,735,000
Series 2012E	2.5% to 5.0%	04/01/24	1,790,000
Series 2013A	3.0% to 5.0%	10/01/25	2,845,000
Total General Obligation Bonds			<u>44,695,000</u>
Athletic Facilities			
Revenue Bonds Series 2001A5	4.59%	10/01/20	<u>720,000</u>
Higher Education Facilities			
Revenue Bonds Series 2005A3	3.40%	04/01/17	590,000
Revenue Bonds Series 2009A	4.07%	04/01/24	2,995,000
Revenue Bonds Series 2009B	6.35%	04/01/24	1,460,000
Revenue Bonds Series 2011	5.20%	04/01/23	4,860,000
Total Higher Education Facilities			<u>9,905,000</u>
Total Bonds Payable			<u><u>\$ 55,320,000</u></u>

General Obligation Bonds are backed by the full faith, credit and taxing power of the State of South Carolina. Tuition revenue is pledged up to the amount of annual debt requirements for the payment of principal and interest on General Obligation Bonds. The legal debt margin for General Obligation Bonds is that the maximum amount of annual debt service shall not exceed ninety percent of tuition for the preceding fiscal year. Tuition bond fees for the preceding year 2014 were \$6,137,190, which results in a legal annual debt service at June 30, 2015 of \$5,523,471.

The Athletic Facilities Revenue Bond covenants require the University to pledge revenues from a special student fee imposed upon students as part of the cost of attending the University and a special admissions fee on all paid admissions to athletic facilities. The Auxiliary Facilities Revenue Bond covenants require the University to pledge the revenues of the bookstore for payment of principal and interest. The Higher Education Facilities Bond covenants require the University to pledge the net revenues from housing facilities for payment of principal and interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

The scheduled maturities of the bonds payable by type are as follows:

		Principal	Interest	Payments
General Obligation Bonds				
2005B	2016	-	145,011	145,011
	2017	-	145,011	145,011
	2018	-	145,012	145,012
	2019	-	145,011	145,011
	2020	-	145,011	145,011
	2021-2025	3,500,000	585,570	4,085,570
	2026-2030	-	-	-
	2031-2035	-	-	-
Total Series 2005B Bonds		<u>\$ 3,500,000</u>	<u>1,310,626</u>	<u>4,810,626</u>
2006A	2016	305,000	182,594	487,594
	2017	320,000	170,012	490,012
	2018	330,000	156,812	486,812
	2019	345,000	142,788	487,788
	2020	360,000	128,125	488,125
	2021-2025	2,060,000	389,181	2,449,181
	2026-2030	470,000	21,150	491,150
	2031-2035	-	-	-
Total Series 2006A Bonds		<u>\$ 4,190,000</u>	<u>1,190,662</u>	<u>5,380,662</u>
2008B	2016	600,000	428,662	1,028,662
	2017	620,000	407,663	1,027,663
	2018	645,000	376,662	1,021,662
	2019	675,000	344,413	1,019,413
	2020	700,000	317,412	1,017,412
	2021-2025	4,025,000	1,138,612	5,163,612
	2026-2030	2,915,000	255,638	3,170,638
	2031-2035	-	-	-
Total Series 2008B Bonds		<u>\$ 10,180,000</u>	<u>3,269,062</u>	<u>13,449,062</u>
2009A	2016	590,000	407,361	997,361
	2017	605,000	392,611	997,611
	2018	620,000	374,462	994,462
	2019	640,000	355,861	995,861
	2020	665,000	330,262	995,262
	2021-2025	3,730,000	1,206,981	4,936,981
	2026-2030	3,605,000	378,835	3,983,835
	2031-2035	-	-	-
Total Series 2009A Bonds		<u>\$ 10,455,000</u>	<u>3,446,373</u>	<u>13,901,373</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

		<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
General Obligation Bonds, Continued				
2012D	2016	1,450,000	586,750	2,036,750
	2017	1,525,000	514,250	2,039,250
	2018	1,610,000	438,000	2,048,000
	2019	1,715,000	357,500	2,072,500
	2020	1,795,000	271,750	2,066,750
	2021-2025	3,640,000	268,750	3,908,750
	2026-2030	-	-	-
	2031-2035	-	-	-
Total Series 2012D Bonds		<u>\$ 11,735,000</u>	<u>2,437,000</u>	<u>14,172,000</u>
2012E	2016	160,000	79,025	239,025
	2017	170,000	71,025	241,025
	2018	180,000	62,525	242,525
	2019	190,000	53,525	243,525
	2020	200,000	44,025	244,025
	2021-2025	890,000	76,450	966,450
	2026-2030	-	-	-
	2031-2035	-	-	-
Total Series 2012E Bonds		<u>\$ 1,790,000</u>	<u>386,575</u>	<u>2,176,575</u>
2013A	2016	210,000	113,800	323,800
	2017	215,000	106,350	321,350
	2018	225,000	97,550	322,550
	2019	235,000	88,350	323,350
	2020	245,000	78,750	323,750
	2021-2025	1,400,000	213,750	1,613,750
	2026-2030	315,000	4,725	319,725
	2031-2035	-	-	-
Total Series 2013A Bonds		<u>\$ 2,845,000</u>	<u>703,275</u>	<u>3,548,275</u>
Athletic Facilities Revenue Bonds				
2001A5	2016	120,000	33,048	153,048
	2017	120,000	27,540	147,540
	2018	120,000	22,032	142,032
	2019	120,000	16,524	136,524
	2020	120,000	11,016	131,016
	2021-2025	120,000	5,508	125,508
	2026-2030	-	-	-
Total Series 2001A5 Bonds		<u>\$ 720,000</u>	<u>115,668</u>	<u>835,668</u>

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

		Principal	Interest	Payments
Higher Education Facilities Revenue Bonds				
2005A3	2016	290,000	20,060	310,060
	2017	300,000	10,200	310,200
	2018	-	-	-
	2019	-	-	-
	2020	-	-	-
	2021-2025	-	-	-
	2026-2030	-	-	-
Total Series 2005A3 Bonds		<u>\$ 590,000</u>	<u>30,260</u>	<u>620,260</u>
2009A	2016	280,000	121,895	401,895
	2017	295,000	110,501	405,501
	2018	305,000	98,494	403,494
	2019	320,000	86,081	406,081
	2020	330,000	73,055	403,055
	2021-2025	1,465,000	152,015	1,617,015
	2026-2030	-	-	-
Total Series 2009A Bonds		<u>\$ 2,995,000</u>	<u>642,041</u>	<u>3,637,041</u>
2009B	2016	125,000	92,710	217,710
	2017	135,000	84,773	219,773
	2018	140,000	76,200	216,200
	2019	150,000	67,310	217,310
	2020	160,000	57,785	217,785
	2021-2025	750,000	122,872	872,872
	2026-2030	-	-	-
Total Series 2009B Bonds		<u>\$ 1,460,000</u>	<u>501,650</u>	<u>1,961,650</u>
20011	2016	300,000	252,720	552,720
	2017	305,000	237,120	542,120
	2018	635,000	221,260	856,260
	2019	660,000	188,240	848,240
	2020	695,000	153,920	848,920
	2021-2025	2,265,000	239,200	2,504,200
	2026-2030	-	-	-
Total Series 20011 Bonds		<u>\$ 4,860,000</u>	<u>1,292,460</u>	<u>6,152,460</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

On August 25, 2005, Winthrop University issued \$17,000,000 in General Obligation Bonds Series 2005B with an average interest rate of 4.38 percent. The proceeds were used for the construction of a new health, physical education and wellness center.

On May 3, 2006, Winthrop University issued \$6,500,000 in General Obligation Bonds Series 2006A with an average interest rate of 4.40 percent. The proceeds were used to construct a three story classroom building. As of June 30, 2015, the University has unamortized premium of \$15,188 which is being amortized over the life of the bond.

On June 19, 2008, Winthrop University issued \$14,000,000 in General Obligation Bonds Series 2008B with an average interest rate of 4.22 percent. The proceeds were used for the construction of a new campus center and a new auditorium for the College of Business. As of June 30, 2015, the University has unamortized premium of \$59,797 which is being amortized over the life of the bond.

On June 5, 2009, Winthrop University issued \$4,500,000 in Tax Exempt Higher Education Facilities Revenue Bonds Series 2009A with an interest rate of 4.07 percent. The proceeds were used for the construction of a new campus center.

On June 5, 2009, Winthrop University also issued \$2,100,000 in Taxable Higher Education Facilities Revenue Bonds Series 2009B with an interest rate of 6.35 percent. The proceeds were used for the construction of a new campus center.

On June 22, 2009, Winthrop University issued \$13,850,000 in General Obligation Bonds Series 2009A with an average interest rate of 4.43 percent. The proceeds were used for the construction of a new campus center. As of June 30, 2015, the University has unamortized premium of \$98,206 which is being amortized over the life of the bond.

On March 9, 2011, Winthrop University issued \$5,200,000 in Higher Education Revenue Bonds Series 2011 with an interest rate of 5.20 percent. The proceeds are being used to renovate a residence hall and to address deferred maintenance in various other residence hall facilities.

On May 1, 2012, the University issued at par \$13,140,000 with a premium of \$2,800,071 in General Obligation Bonds for the purpose of refunding \$14,720,000 of outstanding General Obligation Bonds (Series 2001A2, 2001B5, 2003C, 2004A1 and 2005B). The 2012D bonds bear an average coupon rate of 4.987637 percent with the final payment due April 1, 2022. The refunded bonds carried an average coupon rate of 4.189946 percent with the final payment due April 1, 2022.

The net proceeds of \$15,838,426 (after payment of \$101,645 in underwriting fees and other issuance costs) were used to repay \$5,010,000 of principal and \$19,308 of interest for Series 2001A2, 2001B5 and 2003C bonds. In order to accomplish the current refunding, the University had to pay a 1 percent call premium (\$50,100) to holders of these outstanding bonds, which was paid from the bond proceeds. There was also \$12,008 of additional proceeds remaining from the issuance that was transferred to offset any additional issuance costs.

The remaining proceeds of \$10,747,010 were deposited in an irrevocable trust with an escrow agent to provide future debt service payments of \$3,040,000 and \$6,670,000, respectively, on Series 2004A1 with a call date of December 1, 2013 and on Series 2005B with a call date of October 1, 2015. Unamortized bond premiums on series 2004A1 and 2005B were \$51,126 at the date of advance refunding. As a result, Series 2004A1 and Series 2005B bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable, Continued

Both refundings resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,035,984. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being recognized as a component of interest expense annually through the year 2022. The University completed the refundings to reduce its total debt service payments over the next 10 years by \$1,580,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,203,239. As of June 30, 2015, the University has unamortized premium of \$1,240,681 which is being amortized over the life of the bond.

On May 1, 2012, Winthrop University issued \$2,245,000 in General Obligation Bonds Series 2012E with an average coupon rate of 4.203240 percent. The proceeds are being used for renovations, repurposing, and other deferred maintenance projects on campus. As of June 30, 2015, the University has unamortized premium of \$201,659 which is being amortized over the life of the bond.

On December 10, 2013, Winthrop University issued \$3,045,000 in General Obligation Bonds Series 2013A with an average coupon rate of 4.152352 percent. The proceeds are being used for renovations, repurposing, and other maintenance projects on campus. As of June 30, 2015, the University has unamortized premium of \$256,701 which is being amortized over the life of the bond.

Bonds Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

Bonds payable consists of the following at December 31, 2014:

South Carolina Jobs - Economic Development Authority  
variable rate demand Economic Development Revenue  
Bonds. Issued December 1, 2011 with an effective  
variable interest rate currently at 3.69% net of the  
effects of a fixed interest swap agreement. Interest is  
payable monthly, and principal is payable in varying  
annual installments, maturing July 1, 2033.

Direct Purchase of Series 2011	<u>\$ 15,960,000</u>
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On November 18, 2011, as part of the Series 2011 bond issuance, WUREF, LLC issued and filed the intent to redeem the outstanding balance of the Series 2002A bond issuance of \$16,535,000. The proceeds from the Series 2011 bond issuance were put into trust on December 1, 2011, and the related bond liability was called and redeemed on December 1, 2011. In accordance with the bond documents, the related trust assets and bond liability were removed from the financial statements of WUREF, LLC effective December 31, 2011.

WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate. The Swap remains in effect, is used to offset the interest from the Series 2011 bond issuance and is tied to the amount and amortization of the issuance, maturing on July 1, 2022. Realized losses on monthly settlement transactions totaled \$500,041 for the year ended December 31, 2014. Under the swap agreement, WUREF, LLC has limited its risk by effectively fixing the interest rate on the bonds at 3.69%.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Bonds Payable - Non Governmental Discretely Presented Component Unit, Continued

***Winthrop University Real Estate Foundation, Inc.***

Maturities on the bonds payable are scheduled as follows for years ending December 31:

2015	\$ 495,000
2016	525,000
2017	550,000
2018	580,000
2019	615,000
Thereafter	<u>13,195,000</u>
	<u><u>\$ 15,960,000</u></u>

Certain bond issuance costs, including underwriter's fees and attorney fees in the amount of \$160,973 for the Series 2011 issuance, have been classified as other assets and are being amortized over the life of the Series 2011 issuance to its final scheduled maturity date. Amortization expense for the bond closing cost was \$6,999 for the period ended December 31, 2014.

Notes Payable

Notes payable consisted of the following at June 30, 2015:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance</u>
State of South Carolina			
Note Dated 6/12/09	0.0%	05/30/18	\$ 1,365,000
Note Dated 10/23/09	0.0%	11/01/15	<u>20,685</u>
Total Notes Payable			<u><u>\$ 1,385,685</u></u>

A special student fee and a special admissions fee on all paid admissions to the athletic facilities are restricted to the payment of principal and interest on the athletic facilities note and are recorded in student tuition and fees revenues and other additions in the retirement of indebtedness plant funds subgroup. The bank notes will be repaid from available unrestricted sources and debt service payments will be reported as unrestricted current fund expenditures.

During fiscal year 2009, Winthrop University signed a letter of understanding whereby the University's food service vendor will make a financial commitment to the University in an amount up to \$3,050,000 for food service facility up fitting and the purchase and installation of food service equipment in the new campus center. As of June 30, 2012, the food service vendor expended the entire amount of this commitment. The University will repay the vendor in annual installments on a straight-line basis over a period of ten years.

In October 2009, the University received an award from the State Energy Program, American Recovery and Reinvestment Act (ARRA), in the amount of \$416,476 for energy efficiency and renewable energy improvements. The proceeds were used to replace approximately 418 feet of underground steam piping and condensate return lines that supply the University's North Campus. As of June 30, 2011, the University had drawn \$413,680 of the total award. According to the terms of the award, \$103,420, or 25 percent of the amount drawn, was issued as a loan at 0 percent interest to be paid back from the energy savings recognized from the grant award. The University shall repay the loan in annual installments over a period of five years beginning two years from the date of the award.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Notes Payable, Continued

The notes are payable in semiannual and annual installments, respectively, plus interest. Amounts including interest required to complete payment of the note obligations as of June 30, 2015, are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 475,685	-	475,685
2017	455,000	-	455,000
2018	455,000	-	455,000
2019	-	-	-
2020	-	-	-
2021-2025	-	-	-
Total Obligations	<u>\$ 1,385,685</u>	<u>-</u>	<u>1,385,685</u>

Notes Payable - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

On October 15, 2010, WRE, LLC borrowed \$100,000 from a financial institution with an average interest rate of 5.96 percent. The proceeds were used to purchase real property. The note is payable in monthly installments plus interest. In November 2014, WRE, LLC paid the remaining outstanding balance of this note payable.

Master Lease Program Notes Payable

In prior years, the University made borrowings from a bank under the State Treasurer's Office's Master Lease Program. At June 30, 2015, the University had bank notes payable outstanding as follows:

	Interest Rates	Maturity Dates	Balance
Note Dated June 16, 2008	3.665%	06/16/15	-
Note Dated July 12, 2011	3.1805%	07/12/18	1,126,857
Note Dated February 28, 2013	2.330%	03/01/20	1,459,510
Total			<u>\$ 2,586,367</u>

On June 16, 2008, Winthrop University borrowed \$5,600,900 from a financial institution with an average interest rate of 3.665 percent. The proceeds were used for the purchase of administrative computing hardware and software. The note is payable in annual installments plus interest. The University paid the final installment of this note payable in June 2015.

On July 12, 2011, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 3.1805 percent. The proceeds are being used for the purchase of certain biology and chemistry scientific equipment. The note is payable in annual installments plus interest.

On February 28, 2013, Winthrop University borrowed \$2,000,000 from a financial institution with an average interest rate of 2.330 percent. The proceeds were used for the purchase of instructional equipment and software. The note is payable in annual installments plus interest.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 8 - LONG-TERM DEBT**, Continued

Master Lease Program Notes Payable, Continued

Amounts, including those required to complete payment of the bank note obligations as of June 30, 2014 are as follows:

Year Ending June 30	Principal	Interest	Total
2016	\$ 547,555	69,885	617,440
2017	562,598	54,842	617,440
2018	578,064	39,377	617,441
2019	593,966	23,475	617,441
2020	304,184	7,126	311,310
2021-2025	-	-	-
Total Obligations	<u>\$ 2,586,367</u>	<u>194,705</u>	<u>2,781,072</u>

**NOTE 9 - LEASE OBLIGATIONS**

Future commitments for capital leases and operating leases having no cancelable terms in excess of one year as of June 30, 2015 were as follows:

Year Ended June 30	Capital Leases/ Equipment	Operating Leases/ Equipment
2016	\$ -	25,599
2017	-	7,673
2018	-	2,479
2019	-	-
2020	-	-
Total Lease Payments	-	35,751
Less: Interest	-	-
Total Present Value of Lease Payments	<u>\$ -</u>	<u>35,751</u>

Capital Leases

As of June 30, 2015, the University had no capital leases.

Operating Leases

The University has various operating leases with external parties which include copier equipment and vehicles. These leases are non-cancelable operating leases which provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total contingent rental payments for copier equipment on a cost per copy basis were \$212,534 for fiscal year 2015. For the year ending June 30, the University's lease expense for the vehicles and building were \$39,206 and \$0, respectively.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

**Plan Description**

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

**Membership**

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Membership, Continued

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

The benefit formula for full service retirement annuity effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Benefits, Continued

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class Two members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class Three members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible for disability retirement benefits. The TERI program will end effective June 30, 2018 and a member's participation may not continue after this date.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Effective July 1, 2014, employees participating in the SCRS were required to contribute 8.00% of all earnable compensation. The employer contribution rate for SCRS was 15.90%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.75%, 0.15% for the incidental death benefit program and a 5.00% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement and incidental death benefit program contributions for participating employees and TERI participants to the SCRS for the years ended June 30, 2015, 2014, and 2013 were:

<u>Fiscal Year Ended</u>	<u>Retirement</u>		<u>Incidental Death</u>	
	<u>Rate</u>	<u>Contribution</u>	<u>Rate</u>	<u>Contribution</u>
2015	10.750%	\$ 3,123,114	0.15%	\$ 43,578
2014	10.450%	\$ 3,065,852	0.15%	\$ 44,007
2013	10.450%	\$ 2,856,974	0.15%	\$ 41,009



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Contributions, Continued

Effective July 1, 2014, employees participating in the PORS were required to contribute 8.41% of all earnable compensation. The employer contribution rate for PORS was 18.41%. Included in the total PORS employer contribution rate is a base retirement contribution of 13.01%, 0.20% for the incidental death benefit program, 0.20% for the accidental death program, and a 5.00% surcharge that will fund retiree health and dental insurance coverage. The University's actual retirement, incidental death benefit program and accidental death program contributions to the PORS for the years ended June 30, 2015, 2014, and 2013 were:

Fiscal Year Ended	Retirement		Incidental Death		Accidental Death	
	Rate	Contribution	Rate	Contribution	Rate	Contribution
2015	13.010%	\$ 89,873	0.20%	\$ 1,381	0.20%	\$ 1,381
2014	12.440%	\$ 82,043	0.20%	\$ 1,319	0.20%	\$ 1,319
2013	11.900%	\$ 74,331	0.20%	\$ 1,249	0.20%	\$ 1,249

Employee and employer contributions to the State ORP are at the same rates as SCRS. Employees participating in the State ORP were required to contribute 8.00% of all earnable compensation. In fiscal year 2015, the employer contribution rate for the State ORP was 10.90% plus the retiree surcharge of 5.00% that will fund retiree health and dental insurance coverage. Of the 10.90% employer contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.75% retirement contribution and 0.15% incidental death benefit program contribution amounts are remitted to SCRS.

For fiscal year 2015, total contributions requirements to the ORP were approximately \$2,409,278 (excluding the surcharge) from the University as employer and approximately \$1,768,276 from its employees as plan members.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by PEBA's consulting actuary.

At June 30, 2015, the University reported liabilities of \$76,674,505 and \$1,059,697 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2014. The University's proportion of the net pension liability was based on the University's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2014, the University's SCRS and PORS proportion was 0.44535% and 0.05535%, respectively.

For the year ended June 30, 2015, the University recognized pension expenses of \$5,374,011 and \$92,710 for SCRS and PORS, respectively.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, Continued

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SCRS</u>	<u>PORS</u>
Deferred Outflows of Resources		
Liability Experience	2,172,633	28,278
University Contributions Subsequent to the Measurement Date	<u>4,470,797</u>	<u>92,636</u>
TOTAL	<u>\$ 6,643,430</u>	<u>120,914</u>
Deferred Inflows of Resources		
Investment Experience	<u>6,464,220</u>	<u>122,614</u>
TOTAL	<u>\$ 6,464,220</u>	<u>122,614</u>

The \$4,470,797 and \$92,636 reported as deferred outflows of resources related to pensions resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>SCRS</u>	<u>PORS</u>
2016	\$ 944,038	23,320
2017	944,038	23,320
2018	944,038	23,320
2019	1,459,473	24,376
2020	-	-
Thereafter	-	-

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Actuarial Assumptions and Methods, Continued

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

<u>Actuarial Cost Method</u>	<u>SCRS</u>	<u>PORS</u>
	<u>Entry Age</u>	<u>Entry Age</u>
Actuarial Assumptions		
Investment Rate of Return	7.5%	7.5%
Projected Salary Increases	Levels Off at 3.5%	Levels Off at 4.0%
Includes Inflation at	2.75%	2.75%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Actuarial Assumptions and Methods, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%		
Cash	2.0%	0.3	0.01
Short Duration	3.0%	0.6	0.02
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	1.1	0.08
High Yield	2.0%	3.5	0.07
Bank Loans	4.0%	2.8	0.11
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	0.8	0.02
Emerging Markets Debt	6.0%	4.1	0.25
Global Public Equity	31.0%	7.8	2.42
Global Tactical Asset Allocation	10.0%	5.1	0.51
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.0	0.32
Private Debt	7.0%	10.2	0.71
Private Equity	9.0%	10.2	0.92
Real Estate (Broad Market)	5.0%	5.9	0.29
Commodities	3.0%	5.1	0.15
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			2.75
Total Expected Nominal Return			<u>8.63</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 10 - PENSION PLANS**, Continued

Discount Rate, Continued

The following table presents the University's proportionate share of the SCRS and PORS net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the University's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate.

<u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>			
<u>Plan</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
SCRS	\$ 99,221,554	76,674,505	57,863,799
PORS	1,480,813	1,059,697	711,146

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare and long-term disability plans administered by the Insurance Benefits Division (IB) of the South Carolina Public Employee Benefit Authority (PEBA).

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 11 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS,** Continued

Funding Policies

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the RMP are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 5.00% of annual covered payroll for 2015 and 4.92% of annual covered payroll for 2014. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$2,592,325 and \$2,505,922 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2015 and 2014, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2015 and 2014. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$4,967,657 and \$4,783,201 for the years ended June 30, 2015 and 2014, respectively.

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the separately issued financial statements for the benefit plans and the trust funds may be obtained by writing to the South Carolina Public Employee Benefit Authority – Insurance Benefits Division, P.O. Box 11960, Columbia, South Carolina 29211-1960.

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS**

The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position.

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of \$575,320 at June 30, 2015 of which \$0 was attributable to capital projects and the remaining \$575,320 was attributable to repairs and maintenance. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, student fees and state capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized state capital improvement bond proceeds available to draw at June 30, 2015.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 12 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS,** Continued

During fiscal year 2006, the State has also issued research infrastructure bonds to fund deferred maintenance projects of State facilities. As above, the University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$0 of authorized research infrastructure bond proceeds available to draw at June 30, 2015.

Contingencies / Commitments - Non Governmental Discretely Presented Component Unit

***The Winthrop University Foundation***

Due to the nature of the Foundation's normal activities, it is routinely subject to a variety of claims and demands by various individuals and entities. Loss contingencies are situations involving uncertainties as to possible loss. The uncertainties are resolved when certain events occur or fail to occur. Loss contingencies may result for litigation, claims, audit disallowances, threatened property loss, or uncollectible receivables. Such situations are loss contingencies if the related liability has not been recorded, yet a loss is reasonably possible. Guarantees of others' debts are loss contingencies, however, even if the probability of loss is remote. The Foundation maintains insurance against certain loss contingencies with liability policies and physical damage coverage. At the date of this report, management is not aware of any contingencies that will result in any material loss to the Foundation.

Contingencies - Non Governmental Discretely Presented Component Unit

***Winthrop University Real Estate Foundation, Inc.***

In connection with the Bonds issued and outstanding (See Note 8), WUREF, LLC had entered into a fixed interest rate swap agreement in conjunction with the \$16,400,000 Series 2002A issuance to manage exposure from the variable interest rate.

**NOTE 13 - RELATED PARTIES**

The Alumni Association of Winthrop University is a separately chartered legal entity whose activities are primarily to provide financial assistance and other support to the University and its educational program. The Alumni Association is an eleemosynary corporation. The Association exists to promote the growth, progress and general welfare of Winthrop University and to foster among its former students a sentiment of regard for one another and a continuing attachment to their Alma Mater. Financial statements for this entity are audited by independent auditors and retained by them.

**NOTE 14 - DONOR RESTRICTED ENDOWMENTS**

At June 30, 2015, the University held \$499,628 in permanent endowed and \$238,733 in quasi endowed funds. Net unrealized gain at June 30, 2015 was \$368,737. This amount is included in the restricted expendable scholarships and fellowships amount in the Statement of Net Position. If a donor has not provided specific instructions, State law permits the Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the endowment funds.

The income earned on endowments is spent for the purposes for which the endowments were established. At June 30, 2015, the income available to be spent is \$330,810 of which \$198,560 is restricted to specific purposes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 15 - RISK MANAGEMENT**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles and watercraft
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

**NOTE 16 - OPERATING EXPENSES BY FUNCTION**

Operating expenses by functional classification for the year ended June 30, 2015 are summarized as follows:

Instruction	\$ 39,467,830
Research	7,185,620
Public Service	3,777,059
Academic Support	8,585,754
Student Services	12,912,306
Institutional Support	9,905,022
Operation and Maintenance of Plant	11,604,278
Scholarships and Fellowships	6,730,219
Auxiliary Enterprises	11,983,758
Depreciation	5,794,265
Total Operating Expenses	<u>\$ 117,946,111</u>



**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 17 – NONOPERATING FEDERAL GRANTS AND CONTRACTS**

Nonoperating Federal grants and contracts for the year ended June 30, 2015 are summarized as follows:

State Fiscal Stabilization Funds	\$ -
Federal Pell Grant Program - 2013	-
Federal Pell Grant Program - 2014	19,224
Federal Pell Grant Program - 2015	8,909,774
Total	<u>\$ 8,928,998</u>

Funds received for the Federal Pell program are recorded as nonoperating Federal grants and contracts in the accompanying Statement of Revenues, Expenses and Changes in Net Position. Prior to June 30, 2011, funds received for Pell were reported as operating grants and contracts.

**NOTE 18 - COMPONENT UNITS**

The Foundation and WUREF, Inc. maintain their accounts in accordance with the principals and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by the actions of the Foundation or WUREF, Inc. and/or by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions”.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation or WUREF, Inc. Generally, the donors of these assets permit the Foundation or WUREF, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Split-interest trusts – Split-interest trusts consist of contributions to a trust controlled by a trustee (often the Foundation) which requires the trustee to invest the gift and make periodic payments to designated beneficiaries during their lives. Upon the death of the beneficiaries, the remaining trust balance goes to the Foundation subject to any use restrictions in the trust agreement with the donor.

Agency fund – The other classification used in the accompanying statement of financial position for the Foundation is agency fund which is a fund held by the Foundation as custodian. The receipts, earnings and expenditures related to the agency funds are not included in the Foundation's statement of activities.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for future periods or restricted by donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 18 - COMPONENT UNITS**, Continued

Contributions are recorded as revenue when unconditional promises (pledges) to give are received. Pledges to give that are due in the next year are recorded at their net realizable value. Pledges to give that are due in subsequent years are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Amortization of discounts is reported as additional contribution revenue according to donor-imposed restrictions if any.

***The Winthrop University Foundation***

The Foundation is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the University. The Foundation's activities are governed by its Board of Directors.

The University recorded Non Governmental gifts receipts of \$1,547,773 from the Foundation in nonoperating revenues for the fiscal year ending June 30, 2015. These funds were used to support University programs such as scholarships and fellowships. The Foundation reimburses the University for any purchases made by the University on behalf of the Foundation.

Component unit receivables as of June 30, 2015 are \$183,547 due from the Foundation.

**Purpose of Restricted Net Assets**

All temporarily restricted net assets in the amount of \$4,182,926 are available for use by Winthrop University for student scholarships, or improving education programs or physical facilities. Net assets released from restrictions during 2014 were \$1,510,791, for expenses satisfying the restricted purpose of the donors.

Permanently restricted net assets in the form of split-interest agreements are available in the amount of \$2,811,410 for use by Winthrop University to support student scholarships and physical facilities. Net assets released in 2014 for these purposes totaled \$352,626.

Restricted Net Assets Available	\$ 4,182,926
Estimated Current Value of Trusts Which Upon the Deaths of the Beneficiaries Will Provide Endowments	<u>2,811,410</u>
	<u><u>\$ 6,994,336</u></u>

The Foundation's net assets classification has not been significantly affected by new regulations under the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). The Foundation's spending and investment policies described in Note 1 are designed to maintain the historical cost of all endowment gifts as permanent net assets and to appreciate those assets at a rate above inflation over the long-term for preservation of capital value.

**WINTHROP UNIVERSITY**  
Notes to the Financial Statements, Continued  
June 30, 2015

**NOTE 18 - COMPONENT UNITS**, Continued

***Winthrop University Real Estate Foundation, Inc.***

In January 2004, WUREF Development, LLC, a separately wholly owned organization of WUREF, Inc., spent approximately \$19 million to construct a 406 bed resident student housing facility. Winthrop University has entered into an agreement with WUREF to provide management services for assigning students to rooms and collecting required fees. For the period July 1, 2014 thru June 30, 2015, the fee for management services amounted to \$218,784. WUREF Development, LLC reimburses the University for any purchases made by the University on behalf of the Foundation.

In addition, the University recorded Non Governmental gifts receipts of \$302,103 from WUREF Development, LLC in nonoperating revenues for the fiscal year ending June 30, 2015. These funds were primarily used to support the University in special marketing and enrollment initiatives.

Component unit receivables as of June 30, 2015 are \$313,961 due from WUREF, Inc.

## **OTHER FINANCIAL INFORMATION**

**WINTHROP UNIVERSITY**  
Schedule of Information on Business-Type Activities  
Required for the Government-Wide  
Statement of Activities in the State CAFR  
For the Year Ended June 30, 2015

	Year Ended June 30,	
	2015	2014
Charges for Services	\$ 92,702,190	93,301,776
Operating Grants and Contributions	12,540,539	11,959,620
Capital Grants and Contributions	-	-
Less Expenses	<u>(120,192,524)</u>	<u>(119,141,771)</u>
Net Program Revenue (Expense)	<u>(14,949,795)</u>	<u>(13,880,375)</u>
TRANSFERS		
State Appropriations	14,552,512	13,925,647
Capital Improvement Bond Transfer In	<u>543,760</u>	<u>1,319,307</u>
Total Transfers	<u>15,096,272</u>	<u>15,244,954</u>
Increase/(Decrease) in Net Assets	146,477	1,364,579
Net Assets - Beginning of Year	70,738,229	69,373,650
Cumulative Effect of Accounting and Reporting Entity Changes	<u>(76,653,404)</u>	<u>-</u>
Net Assets - End of Year	<u><u>\$ (5,768,698)</u></u>	<u><u>70,738,229</u></u>

**WINTHROP UNIVERSITY**  
Schedule Reconciling State Appropriation Per the Financial Statements  
To State Appropriation Recorded in State Accounting Records  
For the Year Ended June 30, 2015

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as nonoperating revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5L of Part IA of the 2014-2015 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2015:

**Non-Capital Appropriations**

Non-Capital Appropriations per 2014-2015 Appropriations Act	\$ 13,848,145
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**State Budget and Control Board Allocations:**

State Budget and Control Board Approved	
Allocation for Health Insurance	210,633
Allocation for Pay Plan	266,073
Allocation for Higher Ed Efficiency, Effectiveness and Accountability	81,917
From SC Education Lottery Fund - Technology Program	496,121
From Commission on Higher Education -	
Academic Endowment Incentive Match	8,907
Revised Non-Capital Appropriations - Legal Basis	14,911,796
Accrued Funding for Net Payroll Adjustments	(277,367)
Appropriations drawn but not expended during the current fiscal year	(81,917)
Total Non-Capital Appropriations Recorded	
As Current Year Revenue	\$ 14,552,512

**Capital Appropriations**

Proceeds drawn during the current fiscal year	\$ 1,079,851
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	(536,091)
Total Capital Appropriations Recorded as Current Year Revenue	\$ 543,760

**Research Infrastructure Bond Proceeds**

Proceeds drawn during the current fiscal year	\$ -
Plus: Expenses incurred but not drawn during the current fiscal year	-
Less: Proceeds drawn but not expended during the current fiscal year	-
Total Research Infrastructure Bond Proceeds Recorded	
As Current Year Revenue	\$ -

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's Proportionate Share of the  
SCRS and PORS Net Pension Liabilities

**FY 2014**

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**SCRS - South Carolina Retirement System**

Winthrop's Proportion of the Net Pension Liability	0.44535%
Winthrop's Proportionate Share of the Net Pension Liability	\$76,674,505
Winthrop's Covered-Employee Payroll	\$29,338,296
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	261.35%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.90%

**PORS - South Carolina Police Officers Retirement System**

Winthrop's Proportion of the Net Pension Liability	0.05535%
Winthrop's Proportionate Share of the Net Pension Liability	\$1,059,697
Winthrop's Covered-Employee Payroll	\$659,511
Winthrop's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	160.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.50%

**WINTHROP UNIVERSITY**  
Schedule of Winthrop University's SCRS and PORS Contributions

	<u><b>FY 2014</b></u>
<b>SCRS - South Carolina Retirement System</b>	
Contractually Required Contribution	\$4,287,820
Contribution in Relation to the Contractually Required Contribution	<u>(\$4,287,820)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>
State Covered-Employee Payroll	\$29,338,296
Contributions as a Percentage of Covered-Employee Payroll	14.62%
<b>PORS - South Carolina Police Officers Retirement System</b>	
Contractually Required Contribution	\$86,133
Contribution in Relation to the Contractually Required Contribution	<u>(\$86,133)</u>
Contribution Deficiency / (Excess)	<u>\$ -</u>
State Covered-Employee Payroll	\$659,511
Contributions as a Percentage of Covered-Employee Payroll	13.06%



**SINGLE AUDIT SECTION**

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2015

<b>FEDERAL GRANTOR</b>	<b>CFDA</b>	<b>Grant or Contract Number</b>	<b>Total</b>
Pass-Through Entity	Number		Expenditures
Program Title			FY2015
<b>US Department of Agriculture</b>			
Passed through the SC Department of Social Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #3	R&D 209,542
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Task Order #10	R&D 72,839
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<b>\$ 282,381</b>
<b>US State Department</b>			
Academic Exchange Programs - Teachers	19.408	S-ECAAS-AA-CA-016(JJ)	193,664
<b>TOTAL US STATE DEPARTMENT</b>			<b>\$ 193,664</b>
<b>National Science Foundation</b>			
Mathematical and Physical Sciences	47.049	DMS1346976	R&D 16,738
Mathematical and Physical Sciences	47.049	DMS1358534	R&D 89,524
Mathematical and Physical Sciences	47.049	3-8-710-949	R&D 5,636
Subtotal 47.049			<b>\$ 111,898</b>
Education and Human Resources	47.076	DUE-1035322	R&D 189,899
Education and Human Resources	47.076	DUE-1154152	SFA 138,161
Subtotal 47.046			<b>\$ 328,060</b>
Passed through SC EPSCoR IDEA			
Office of CyberInfrastructure	47.079	22410-Z146	R&D 4,704
Office of CyberInfrastructure	47.079	22410-ZG85	R&D 995
Office of CyberInfrastructure	47.079	22410-Z147	R&D 200
Subtotal 47.080			<b>\$ 5,899</b>
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			<b>\$ 445,857</b>
<b>Small Business Administration</b>			
Pass-Through the University of South Carolina			
Small Business Development Centers	59.037	SBAHQ-14-B-0027-0001	16,457
Small Business Development Centers	59.037	SBAHQ-14-B-0027-0002	45,575
Small Business Development Centers	59.037	SBAHQ-15-B-0042	257,581
Small Business Development Centers	59.037	SBAHQ-15-B-0042-0002	4,868
<b>TOTAL SMALL BUSINESS ADMINISTRATION</b>			<b>\$ 324,481</b>

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2015

<b>FEDERAL GRANTOR</b>					Total
Pass-Through Entity	CFDA	Grant or Contract Number			Expenditures
Program Title	Number				FY2015
<b>US Department of Education</b>					
Office of Postsecondary Education					
Student Financial Aid Cluster					
Supplemental Education Opportunities Grant	84.007	PO07A143816	SFA		161,000
Subtotal 84.007				\$	161,000
Federal Work Study Program	84.033	P033A133816	SFA		
Federal Work Study Program	84.033	P033A143816	SFA		174,691
Subtotal 84.033				\$	174,691
Federal Perkins Loan Program	84.038	P038A063816	SFA		2,809,422
Subtotal 84.038				\$	2,809,422
Federal PELL Grant Program	84.063	PO063P130379	SFA		18,060
Federal PELL Grant Program	84.063	PO063P140379	SFA		8,909,774
Subtotal 84.063				\$	8,927,834
Federal Direct Student Loan Program FY14	84.268	P268K100379	SFA		97,721
Federal Direct Student Loan Program FY15	84.268	P268K110379	SFA		37,726,480
Subtotal 84.268				\$	37,824,201
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T140379	SFA		2,973
Teacher Education Assistance for College and Higher Education Grants	84.379	P379T150379	SFA		449,815
Subtotal 84.379				\$	452,788
Subtotal - Student Financial Aid Cluster				\$	50,349,936
TRIO Cluster					
TRIO - Student Support Services	84.042	PO42A100308			255,141
Subtotal 84.042				\$	255,141
TRIO - McNair Post Baccalaureate Achievement	84.217	P217A130111			216,709
Subtotal 84.217				\$	216,709
Subtotal - TRIO Cluster				\$	471,850

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2015

<b>FEDERAL GRANTOR</b>	CFDA	Grant or Contract Number		Total
Pass-Through Entity	Number			Expenditures
Program Title				FY2015
<b>US Department of Education</b>				
Teacher quality Partnership Grants	84.336	U336S090144	R&D	549,466
Subtotal 84.336				\$ 549,466
School Leadership	84.363	U363A100071	R&D	\$ 642,140
Subtotal 84.363				\$ 642,140
<b>US Department of Education</b>				
Pass-Through the York School District One				
Mathematics and Science Partnerships	84.366	14MS089.01		70,559
Mathematics and Science Partnerships	84.366	14MS029.01		6,049
Subtotal - York School District One				\$ 76,608
<b>TOTAL US DEPARTMENT OF EDUCATION</b>				\$ 52,090,000
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Vision Research	93.867	R15EY024453	R&D	91,456
Subtotal				\$ 91,456
<b>US Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
Pass-Through the University of South Carolina				
National Center for Research Resource	93.389	2P20RR016461-10	R&D	467,200
Subtotal 93.389				\$ 467,200
Pass-Through the SC Department of Health and Human Services				
Medical Assistance Program	93.778	A20151532A	R&D	561,954
Subtotal 93.778				\$ 561,954

**WINTHROP UNIVERSITY**  
Schedule of Expenditures of Federal Awards  
June 30, 2015

<b>FEDERAL GRANTOR</b>	<b>CFDA</b>	<b>Grant or Contract Number</b>	<b>Total</b>
Pass-Through Entity	Number		Expenditures
Program Title			FY2015
<b>US Department of Health and Human Services</b>			
<b>National Institute of Health</b>			
Pass-Through the South Carolina Department of Social Services (SCDSS)			
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 4	R&D 229,834
Temporary Assistance for Needy Families (TANF)	93.558	Task Order 10	R&D 72,840
Subtotal 93.558			\$ 302,674
Child Support Enforcement	93.563	Task Order #6	R&D 682,880
Subtotal 93.563			\$ 682,880
Title IV-E Foster Care Maintenance	93.658	Task Order #1	212,518
Title IV-E Foster Care Maintenance	93.658	Task Order #7	R&D 277,106
Title IV-E Foster Care Maintenance	93.658	Task Order #8	R&D 357,426
Title IV-E Foster Care Maintenance	93.658	Task Order #10	R&D 145,679
Subtotal 93.658			\$ 992,729
Adoption Assistance	93.659	Task Order 9	R&D 581,905
Subtotal 93.667			\$ 581,905
Social Services Block Grant	93.667	Task Order #5	R&D 227,487
Subtotal 93.667			\$ 227,487
Medical Assistance Program	93.778	Task Order #10	R&D 48,537
Subtotal 93.778			48,537
Subtotal - Pass through the SCDSS			\$ 2,836,212
Pass Through SC Substance Abuse & Mental Health Services Administration (SAMSHA)			
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	PERKY	\$ 2,285
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	TRIPOD	3,816
Subtotal - 93.243			\$ 6,101
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			\$ 3,962,923
<b>Corporation for National and Community Service</b>			
Volunteers in Service to America	94.013	10VSSSC001	14,483
<b>TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			\$ 14,483
<b>TOTAL ALL FEDERAL FUNDS</b>			<b>\$ 57,313,789</b>

Independent Auditors' Report On Compliance With Requirements  
Applicable To Each Major Program And Internal Control Over  
Compliance In Accordance With OMB Circular A-133

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Winthrop University's compliance with the types of compliance requirements described in the (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Winthrop University's major federal programs for the year ended June 30, 2015. Winthrop University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winthrop University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Winthrop University's compliance.

**Opinion on Each Major Federal Program**

In our opinion Winthrop University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

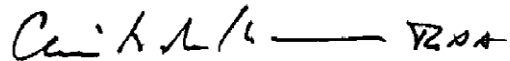
## Report on Internal Control Over Compliance

Management of Winthrop University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirement referred to above. In planning and performing our audit of compliance, we considered Winthrop University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Winthrop University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Gaffney, SC  
September 18, 2015

Independent Auditors' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Based On An Audit Of Financial Statements Performed  
In Accordance With Government Auditing Standards

To the Honorable Nikki R. Haley,  
Governor of the State of South Carolina  
And to the Board of Trustees of  
Winthrop University  
Rock Hill, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit (The Winthrop University Foundation) of Winthrop University, a discretely presented component unit of the State of South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprised Winthrop University's basic financial statements, and have issued our report thereon dated September 18, 2015. Our report includes a reference to other auditors who audited the financial statements of Winthrop University Real Estate Foundation, Inc. as described in our report on Winthrop University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The Winthrop University Real Estate Foundation, Inc.'s financial statements were not audited in accordance with Government Auditing Standards. The Winthrop University Foundation's financial statements were not audited in accordance with Government Auditing Standards, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Winthrop University Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Winthrop University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Winthrop University's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winthrop University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit by those charged with governance.



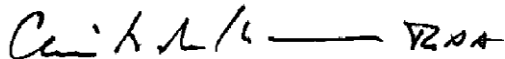
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Winthrop University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gaffney, SC  
September 18, 2015

**WINTHROP UNIVERSITY**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of Winthrop University. The reporting entity is defined in Note 1 of the University's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 of the University's financial statements.

3. LOAN PROGRAMS

The University has students who have approved loans which were received by those students during the current year. The University is not the lender, it only processes them for the lender the student chooses. The totals and types of loans received for the current fiscal year are:

Federal Direct Loans	<u><u>\$ 37,824,201</u></u>
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The Federal Perkins Loan Program is administered directly by the University and balances and transactions relating to the program are included in the University's financial statements. The balance of loans outstanding under the Federal Perkins Loan program was \$2,316,455 as of June 30, 2015. The expenditures for June 30, 2015 are calculated as follows:

June 30, 2014 Loan Balance	\$ 2,403,805
Current Year Loans Made	367,617
Current Year Administrative Cost Allowance	<u>38,000</u>
Total	<u><u>\$ 2,809,422</u></u>

**WINTHROP UNIVERSITY**  
Summary Schedule of Prior Audit Findings  
June 30, 2015

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.

**Winthrop University**  
Schedule of Findings and Questioned Costs  
June 30, 2015

**Summary of Auditors' Results:**

- An unmodified opinion was issued on Winthrop University's basic financial statements dated September 18, 2015.
- There were no material weaknesses or significant deficiencies relating to the financial statements reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*.
- There were no instances of noncompliance material to the financial statements of Winthrop University disclosed during the audit.
- The auditor's report on compliance for the major federal award programs for Winthrop University expresses an unmodified opinion.
- There were no material weaknesses or significant deficiencies relating to the audit of major federal awards reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
- There were no audit findings reported relative to the major federal award programs for Winthrop University as depicted below in this schedule.
- Major federal programs:

Student Financial Aid Cluster from the U.S. Department of Education

Federal Supplemental Education Opportunity Grants	CFDA #84.007
Federal Work-Study	CFDA #84.033
Federal Perkins Loan Program	CFDA #84.038
PELL	CFDA #84.063
Federal Direct Student Loans	CFDA #84.268
Federal TEACH Grants	CFDA #84.379

Research and Development Cluster

<u>U.S. Department of Agriculture</u> Supplemental Nutrition Assistance Program	CFDA #10.561
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<u>U.S. Department of Health and Human Services</u> Temporary Assistance for Needy Family (TANF) Child Support Enforcement Title IV-E Foster Care Maintenance Social Services Block Grant Medical Assistance Program	CFDA #93.558 CFDA #93.563 CFDA #93.658 CFDA #93.667 CFDA #93.778
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**Winthrop University**  
Schedule of Findings and Questioned Costs, Continued  
June 30, 2015

**Summary of Auditors' Results:** continued

- Type A programs are defined as those that expended \$300,000 or more and Type B programs are those that expended less than \$300,000.
- Winthrop University is a low risk auditee according to the criteria in OMB Circular A-133.

**Findings Relating to the Financial Statements:**

There were no findings relating to the financial statements.

**Findings and Questioned Costs Relating to Federal Awards:**

There were no findings and questioned costs relating to federal awards.